GOVERNMENT TELEGRAPHS.

ARGUMENT

OF

WILLIAM ORTON,

PRESIDENT OF THE

WESTERN UNION TELEGRAPH COMPANY,

ON THE

BILL TO ESTABLISH POSTAL TELEGRAPH LINES,

DELIVERED BEFORE THE SELECT COMMITTEE OF THE UNITED STATES HOUSE OF REPRESENTATIVES.

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INTRODUCTION.

There are two schemes now before Congress which contemplate the connection—more or less intimate—of the Telegraph with the Postal Service. The one known as the Hubbard scheme asks for the incorporation of a company by an act of Congress, which shall also confer the right to build and operate Telegraph lines in all the States and Territories. This scheme also contemplates a partnership arrangement by contract with the Post-office Department, under which the company is to be provided with office room, stationery, lights and fuel, and to some extent with clerks, operators and superintendents, at the cost of that department. As a partial return for these advantages, the company stipulates to send messages at the rate of 25 cents for distances of 500 miles, and 50 cents for distances of 1,000 miles—reserving, however, the right to charge extra rates for messages the senders of which are willing to pay for "priority of transmission;" and the right thus to put one message ahead of another, for a consideration, is especially conferred by the bill. This scheme was reported upon adversely by unanimous vote of the House Committee on Post-offices at the last session of Congress. Mr. Hubbard then transferred his application to the Senate, and the bill is now in the Post-office Committee of that body.

The other scheme is that of which Hon. C. C. Washburn, of Wisconsin, is the author. More than two years ago Hon. E. B. Washburne, of Illinois, introduced a bill into the House which provided for the construction of a line of Telegraph between the cities of Washington and New York by the Post-office Department, and to be operated by it in competition with the lines owned by private parties. This scheme was not only reported upon adversely by the House Committee on Post-offices, but was received with special disfavor by the public, on account of the dangerous precedent which it proposed to inagurate, of employing the public funds—drawn from the people by taxation—for the purpose of establishing the Government in business as the competitor of its own citizens. The scheme now pending is so far an improvement as that it proposes to purchase all existing lines at a price to be fixed by appraisement and arbitration. When so acquired by the Government, it is proposed that they shall be operated by the Post-office Department at the rate of 20 cents per message between all points in the United States, and that the business of telegraphing shall be thereafter prohibited to all persons or corporations under stringent penalties.

The adoption of either of these schemes would be the inauguration of a new policy by our Government. The interests involved reach far beyond the value of all the Telegraph property in the country, on whatever basis that value may be determined; and it is in the belief that the public at large, as well as the owners of Telegraph stock, will be interested in this discussion, that it is respectfully submitted for their consideration.

NEW YORK, *May*, 1870. WILLIAM ORTON.

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ARGUMENTS

BEFORE THE SELECT COMMITTEE

ON

THE POSTAL TELEGRAPH,

U. S. HOUSE OF REPRESENTATIVES.

WASHINGTON, D. C., *April* 30, 1870.

Mr. GARDINER G. HUBBARD appeared before the Committee and resumed his statement, as follows:

The Chairman asked me yesterday why it was necessary to incorporate a new Company—why the Western Union Company should not come in and act themselves under the bill? I will say, in regard to that, that I made a similar proposition myself to the Western Union Telegraph Company and they declined it. I will read a part of my letter to them, and a portion or the whole of their answer, as they may desire.

Mr. ORTON—Read it all, please.

Mr. HUBBARD read as follows:

"NEW YORK, *August* 16, 1869.

"WILLIAM ORTON, Esq.,
"*Pres't Western Union Tel. Co.*

"*Dear Sir*—I have been requested, by gentlemen interested in the postal telegraph, to submit a proposition to Congress, for the performance of the entire telegraph service of the country, substantially on the terms set forth in a 'Bill to establish a postal telegraph system, and to incorporate the United States Postal Telegraph Company." This bill was introduced into the Senate, March 15, 1869, and referred to the Committee on Post-offices and Post-roads. During the last session of the 40th Congress I was informed, by a member of the Senate Committee on Post-offices and Post-roads, that you were willing to perform the service on these terms. I wish to know if this information was correct, and if you desire to make such a proposition. If you will, I will use my influence to secure its acceptance. I desire to secure a cheap telegraph for the people, controlled and regulated by the laws of the United States. This end can be more quickly accomplished through your Company than in any other way. I am, therefore, ready to sacrifice any private interests to secure so great a public benefit.

"I shall be at the Fifth Avenue Hotel to-day, and possibly to-morrow, and will call and explain my views more fully, if desired. Requesting the favor of an early reply, directed to me at Boston,

"I am, resp'y yours,
"GARDINER G. HUBBARD."

In reply to which I received the following letter:

"*Executive Office Western Union Telegraph Co.*,
"145 BROADWAY, N. Y., *Aug.* 20, 1869.

"GARDINER G. HUBBARD, Esq.,
"*Boston, Mass.*

"*Dear Sir*—Your note of 18th instant has been received. I should have been pleased, had it been convenient for you to keep the appointment, to have discussed further the subject of your previous communication, under date 16th instant, but I am not prepared to make any stipulations concerning Governmental interference with the telegraph business. I not only believe that the scheme which you have advocated before Congress will not succeed, but that it ought not to succeed, and that the business cannot be made self-sustaining at the rates named in your bill. Whether the benefits which the Company could secure from the Government, under its provisions, would compensate for the loss of revenue is a question concerning which wide differences of opinion may properly arise. If the bill should be construed strictly, and the benefit of all doubts given to the Government, the pecuniary advantages to the Company would be very much less than if the latter were treated with liberality. I can conceive of circumstances under which a Company sustaining to the Government the relations provided by this bill could escape much of the expense which we are obliged to defray. In that case a majority of the receipts, even at the low rates you propose, might become profits, and thus an impracticable enterprise be made a financial success. I do not believe, however, that that portion of the public interested in cheap telegraphy desire that it shall be accomplished at the expense of the Treasury, and that the burdens of taxation (already onerous) shall

be increased to the many, in order that a new corporation may make apparent profits, by sending messages at rates below the actual cost of the service. If there is any practical plan whereby further contests on this subject before Congress can be avoided, I shall be pleased to consider it, and would prefer to receive suggestions rather than to offer them.

"If you have leisure, when you pass through this city for San Francisco, I will be glad to see you. I contemplate a trip to the Pacific some time next month, and regret that I shall not be able to discuss Postal Telegraphy in the presence of its exponent.

"I am, very respectfuly, &c.,

"WILLIAM ORTON, *Pres't.*"

Mr. HUBBARD—Another suggestion in regard to that is this. There are various opposition companies at present in existence in the country, which have rights as well as the Western Union Telegraph Company, and which must be considered. These leading opposition companies are represented among the corporators of this bill. Mr. Woodbury Davis, of Maine, represents the International Telegraph Company of Maine, in which the brother of the General (Washburn) is one of the Directors. Mr. Sweet and Mr. Hammond represent the Atlantic and Pacific Telegraph Company, which is also one of the large opposition companies. Mr. Mason, of New York, whose name is to be inserted in the bill is a representative of the Franklin Telegraph Company. The other principal telegraph company, the Pacific and Atlantic, are not represented, although they have at different times asserted to me and approved of the provisions of the bill. It was thought by these opposition companies that it was better, and that they would prefer to unite under a new and independent corporation than under the wing of the Western Union Telegraph Company.

Another question was asked in regard to stamps—I would say that, under the bill which I have had the honor to present before the committee, there will be but very few different kinds of stamps required. I suppose that three quarters of all the telegrams that are sent to-day, are sent within 500 miles. There would, therefore, be but one stamp required—the 25 cent stamp. The bill also provides that for every additional five words or figures one-fifth of the above rates are to be added, which will give a five or a ten cent stamp in addition. Night rates, also, are 25 cents for a thousand miles. You do not therefore, under this bill, use near as many stamps as are required by the Post-office Department to-day, or anything like the number of stamps that are required to carry on the financial business of the country, so far as promissory notes and bills of exchange are concerned. Under the present system, where they have a variety of rates, it would be very difficult to introduce a system of stamps.

Mr. WASHBURN—Why cannot the Western Union Telegraph Company adopt the system of stamps for their business?

Mr. HUBBARD—Mr. Orton, I presume, can answer that question better than I can.

Mr. ORTON—I do not think any system of payment by stamps is possible in this country; it is very well in countries of small territorial extent, where it is not necessary to have more than one or two rates. In France, for instance, the franc stamp carries a message of twenty words, including the address and signature, from one part of France to another, while the half franc stamp carries it anywhere within the department. There is, however, a little trouble in respect to the excess over twenty words, but they accommodate that by charging for groups of words. But these excesses are rare as compared with the great mass of messages, which are ordinarily confined to twenty words.

Coming to the United States, however, at the rates proposed by Mr. Hubbard—which a year's experience, I apprehend, would satisfy him, would ruin anybody, even if the Government was at his back—a variety of stamps would be required; how many I will not say. But when you add the number of rates for the various distances over which messages are sent to those for the excess above the minimum, whether of ten or twenty words, you are involved in quite serious complications. It may be remedied by having stamps of small denominations, and using a sufficient number of them for the larger rates; but these stamps cost a good deal of money, and they are liable to be counterfeited. I have given the subject very serious consideration, in view of the saving which would ensue in simplifying and cheapening our system of checking, but I have not yet been able to see my way clearly for the adoption in this country of any stamp system.

Mr. HUBBARD—I have drawn up nine or ten reasons here why I think this system is to be preferred to the present system.

The first is: because it will reduce the cost of telegraphing by utilizing the post-offices and postmasters, and adopting stamps.

Second—Because it will greatly reduce the cost of telegraphing, by consolidating the existing rival interests. I believe my friend (Mr. Orton) will say to the committee that he has no doubt in his own mind that if all the existing telegraph companies were incorporated together as one, the entire cost of all the opposition companies could be saved to the community. That is, about seven or eight hundred thousand dollars a year could be saved by one company doing the business, and giving just as full accommodations to the public.

Mr. WASHBURN—You propose that your company should furnish the operators?

Mr. HUBBARD—Yes, sir.

Mr. WASHBURN—Do you propose, too, that the postmasters shall act as operators?

Mr. HUBBARD—A provision provides that the postmasters may act as operators, with the assent of the Postmaster General.

Mr. WASHBURN—Exactly. Then where a postmaster acts as an operator, would he receive his pay from the Government or the company?

Mr. HUBBARD—He would receive his pay by way of commission on the business done from the Government, the same as many country postmasters now do on the business that is done at their post-offices. My friend here (Mr. Orton) was at one time president of the strongest opposition company that was ever started in the United States—the "United States Telegraph Company. Even he, with probably the greatest executive ability of almost any officer in this country, could not save that company from making an annual loss of a hundred thousand dollars a year. And yet he will tell you that when that company was merged in the Western Union Telegraph Company, the entire expense of doing the business was reduced by the Western Union Telegraph Company, besides saving the seven hundred thousand dollars which that company expended.

Mr. ORTON—That is substantially true: opposition increases the expense to both parties.

Mr. HUBBARD—*Third*—Because it substitutes uniform and low for variable rates, which discriminate against different sections of the country. There are now, as I explained the other day, four centres, with four different rates for each centre, and in each one of these centres different rates on competing lines, and where there is no competition. That is a great drawback to business, because no one can tell, until he gets to the office of the Company, what rate he is to be charged.

Fourth—Because one State can now, by taxes or licenses, prevent any general system of low tariffs being carried into effect. For instance, they opened some lines in Montana, a short time ago, and the territory at once put very high licenses upon each office that they had opened. Any State, I suppose, has a right to impose whatever tax or license it may please to. As long as that is the case, no national system can be introduced. It is just exactly like the case of New Jersey, imposing a tax upon every railroad passenger passing through the State. You can't fix and agree upon a regular tariff of rates when you have this uncertainty to deal with, and when at any time anyone of the States can impose a heavy tax on you, and put an end to your plans.

Mr. LAWRENCE—The Supreme Court decided that New Jersey could not constitutionally impose that tax.

Mr. ORTON—I admit the right of a State to impose such a tax on all business done within the State; but I deny that any State has the right to impose a tax upon commercial intercourse or communication between the citizens of one State and those of another. That certainly is a plain violation of the Constitution. But, as to the license tax, I don't see how we can get around that. We are taxed now as high as a thousand dollars for the right to do business in a single place. I think our license tax in the city of Mobile is $400 or $450.

Mr. HUBBARD—My idea in regard to these State taxes is this, that until Congress regulates the matter any State can impose a tax of this kind.

The *Fifth* reason is, because this bill regulates commercial intercourse with foreign countries, and among the several States which are now without the regulation of any general law.

Sixth—Because it fixes a maximum sum for press rates, instead of the agreements they may make between them.

Seventh.—Because it will popularize the telegraph by adding to it the postal facilities. The universal experience in England, and I believe the same in this country, is that increase of facilities increases business almost as much as the reduction of rates. The present facilities accommodate a certain kind of business, but are not adapted to accommodate the great mass of business. Because the general business of the country settles around the Post-office, and not around the railroad station, where the majority of the telegraph offices are, except in the large cities. Now, by reducing the rates, it will bring into being or existence an entirely new kind of social correspondence, which is now done but to a very limited extent. That social correspondence will be accommodated through the post-offices.

Eighth.—Because it will remove all danger of the control of the telegraph falling into the hands of speculators and dishonest men. I have stated here before that I believe the telegraphs are now managed honestly and fairly; the first interest being the interest of the stockholders, the second interest the interest of the public; but it can, at any annual election, pass out of the hands of these officers into the hands of other officers, who will manage it, for the purpose of speculating out of the interests of the country.

Ninth.—Because it fixes the capital of the business at the actual cost of construction, limits the dividends, requires accounts to be rendered, and authorizes directions of the routes to be made by the Postmaster-General, and because the postal telegraph is controlled by the Government and the other is not.

One word more and I am done. In regard to the rates: My own belief is fortified by that of the best telegraphers in the country, that the enlarged business can be done at the rates named in the bill. The rates of the International Telegraph Company of Maine do not much exceed about 30 cents. That Company pays its expenses, and pays a small annual dividend, and yet has to compete with the Western Union Company. The Franklin Telegraph Company's rates for messages are about 30 cents. It does not really pay its expenses. And, when I say that, I mean it just about pays its operating expenses, but has never accumulated a sufficient fund to keep its lines in repair.

Mr. WASHBURN—What competition does *it* have—the Franklin?

Mr. HUBBARD—That has a very active competition. But this can be said in regard to the Franklin Company, that it has a larger business than the Western Union Company, in proportion either to its capital, miles of line or miles of wire.

Mr. WASHBURN—If it had a monopoly of the business—if it had all the business that is done by its competitors—at the same rates it is now operating, wouldn't it pay its expenses and make a profit in addition?

Mr. HUBBARD—I have no doubt that it would; and it is simply from these two facts, that these two companies are in existence, that I have been led to believe that the business can be done at those rates; and the managers of those companies have expressed the opinion that the business of the whole country can be done at those rates. Of course the average distance over which their messages are sent is small; I suppose 150 miles would probably be the average that messages are sent on either one of these companies' lines—less than that on the International Company's lines, and perhaps a little more than that on the Franklin. Of course the expense increases with the distance, but not in proportion to it.

Mr. BECK—You have stated that competing companies largely increase the expenses, and that one company might be able to do the work and make money, while two companies would, at the same time, lose money.

Mr. HUBBARD—Yes, sir.

Mr. BECK—Now, take the Franklin and the Western Union Companies—they both have branch offices in this capitol. Isn't the effect of this to very largely diminish the cost of telegraphing to the public, by having the two companies in opposition?

Mr. HUBBARD—I do not think it is. I think if you will examine the history of corporations, the world over, you will find that the immediate effect is just as you say—first reducing the prices to the public. Then the next thing is the failure of the weaker, and the absorption of the weaker by the stronger. You then have a double capital, upon which dividends must be paid. The corporation, in the long run, will always get a return upon the capital invested in it. For instance, as Mr. Orton has said, this Franklin Company is losing money from day to day, and cannot long continue without a failure.

Mr. ORTON—You spoke of the International Company making a small dividend. Are you aware that if it should apply that small dividend, which you say has been paid, to a sinking fund, for the renewal of the poles when they decay, that the aggregate of the dividends would not be equal to the cost of renewing the poles. Have you ever given any attention to the great destruction that is going on all the while in this property?

Mr. HUBBARD—I have given attention to it, as a general rule. I have not given particular attention as relates to the International Company.

Mr. ORTON—It is a general question, covering the whole ground. The Franklin Company not only is unable to pay dividends, but has not paid the interest on its debt for two years, and its property is going to decay, without any ability to restore it. The International has had a little better fate, because there has been less competition. The chairman inquired what competition the Franklin Company had. I will answer the question, if you will allow me. There are between Washington and New York the Bankers and Brokers' Company; between Washington and Boston the Franklin Company; and between Washington and New York the Pacific and Atlantic Company—the Western Union Company being a competitor with all of them over the entire route.

Mr. ORTON (to Mr. HUBBARD)—I understood you to say, in your general remarks yesterday, that during your investigation of this subject your views had been modified in respect of the cost of doing the service.

Mr. HUBBARD—Yes, sir.

Mr. ORTON—Have you based your modifications upon information acquired as to the cost of rendering the service in this country merely, or have you taken into account the fact, firstly, that a large percentage (I assert 50 per cent.) of the cost of doing the business is paid for labor; and, secondly, that the cost of that labor in Europe is less than half what it is here. I wish to know to what extent you have considered this subject?

Mr. HUBBARD—I have considered it; and I stated on the first day that I alluded to that fact, that here operators, according to the statement of the Western Union Company, could do nearly three times the amount of work that the ill paid and half starved laborers of Europe could do, and that here operators receive by sound, which enables them to reduce the expenses, and reduce the number of operators, and

receive a greater number of words in the same time, which, to a considerable extent, therefore, compensated for the higher wages paid here than abroad.

Mr. ORTON—You admit the fact of the higher wages here?

Mr. HUBBARD—Of course.

Mr. BECK—I understand you to say that the rate of charges for telegraphic messages all over Belgium is now ten cents.

Mr. HUBBARD—The rate of what is called inland messages, that is, from one town to another within the territory of Belgium, is ten cents.

Mr. BECK—And that the average cost of sending a message in Belgium was 17.49 cents in gold?

Mr. HUBBARD—Yes, sir; in gold.

Mr. BECK—Yet, at the same time, the telegraph in Belgium paid its own expenses.*

Mr. HUBBARD—Yes, sir. I say so.

Mr. BECK—I do not quite comprehend how far the international messages, and the cost of them, were able to bring up that great difference between 10 cents and 17 cents and a fraction, and yet pay expenses, in a small country like Belgium. Please explain it.

Mr. HUBBARD—The reason is that on every international message passing through its territory, Belgium gets a franc. They estimate the cost of that message at about a quarter part of a franc; so that on that message they make three quarters of a franc.

Mr. WASHBURN—If you wanted to send a dispatch from Paris to Brussels what would be the expense of it now?

Mr. HUBBARD—I do not know exactly. Belgium gets one franc upon it.

Mr. ORTON—Here is the tariff. From Paris to Belgium there are five different routes. The rate depends upon the route by which the message is sent. The presumption is that it always goes by the most direct route, and at the lowest rate; but, in the event of an interruption of that line, it would go by another route. The lowest rate is 3 francs—60 cents.

Mr. WASHBURN—But you can send from Paris to the Belgian frontier for 1 franc.

Mr. ORTON—You can send from one part of France to any other part of France for 1 franc; but from the French side of the frontier over the border, ten miles, it would be 3 francs. I have a list of European charges, which I may as well put in here:

From Calais to the Hague is 120 miles, and the tariff is from 4 to 7 francs, under the circumstances which I have explained. The lowest tariff is 80 cents, gold; it may be $1.40. And so with the other rates comprised in this list.

Mr. ORTON—I read, while in Paris, last January, the speech of the chairman, delivered in December last, and I recall particularly his statement that from the most southerly part of France to the most northerly part of Great Britain a message may be sent for 55 cents. The chairman had been misinformed. I have the new French tariff in my hand, and I find the rate charged is $1.20—more than double the amount stated by him. But that is not all. I have now taken the most northerly part of France and the most southerly part of England—only 23 miles apart—and I find the tariff is the same.

TABLE OF TELEGRAPHIC TOLLS BETWEEN STATIONS IN FRANCE AND OTHER EUROPEAN COUNTRIES.

FROM	TO	Distance in Air Line.	Tariff for 20 words. Address and signature charged for.
Toulon	Rome	310 Miles.	$1 00 to $2 00
Cherbourg	Channel Islands	30 "	80
Nice	Belgrade	600 "	2 00 " 2 20
Nice	Geneva	80 "	80 " 2 00
Strasburg	Kalise	490 "	2 10 " 2 40
Bayonne	Saragossa	110 "	80
Calais	Hague	120 "	80 " 1 40
Metz	Luxemburg	30 "	50 " 1 30
Cambray	Cologne	140 "	80 " 1 40
Strasburg	Munich	160 "	60 " 1 40
Metz	Dresden	320 "	80 " 1 40
Cambray	Brussels	60 "	60 " 1 40
Besancon	Constance	140 "	1 20 " 1 40
Nice	Bastia	100 "	40
Calais	Copenhagen	510 "	1 30 " 2 20
Perpignan	Algiers	380 "	1 20 " 1 80
Cambray	Helsingborg	520 "	1 60 " 2 50
Marseilles	Majorca	250 "	80
Calais	Dover	30 "	1 20
Paris	Brussels	130 "	60 " 1 40
Strasburg	Stuttgardt	60 "	60 " 80
Strasburg	Carlsruhe	40 "	60 " 1 40
Lyons	Geneva	62 "	60 " 1 40
Bayonne	Braganza	250 "	1 00

* The official reports show that the telegraphic receipts in Belgium, from 1865 to 1869, were $819,283, and the ordinary working expenses $918,576, showing a loss in five years of $99,293. The telegraph in Belgium has never paid expenses for a single year since the reduction in the rates for internal telegrams in 1865.

Mr. WASHBURN—Do you mean to say that a cable dispatch across the Straits of Dover is 120 cents?

Mr. ORTON—Yes, sir.

Mr. WASHBURN—Does that cable belong to a private company?

Mr. ORTON—I cannot answer that question. I do not know.

Mr. WASHBURN—This is true, in point of fact, that from Nice, if you please, in the extreme south of France, you can send a dispatch for 20 cents to Calais; and from Dover, in England, to Inverness, in Scotland, you can send a dispatch for 24 cents; that would be 44 cents for a dispatch from Nice to Inverness, leaving out the crossing of the channel. Are not cables more expensive to operate than land lines?

Mr. ORTON—On routes where the volume of business is large enough submarine cables are a great deal cheaper than land lines.

Mr. WASHBURNE—Is this submarine cable operated by private parties?

Mr. ORTON—I do not know, but I think not.

Mr. WASHBURN—I think there is where you will find the expense comes in.

Mr. ORTON—But this discrepancy is not confined to cables. From Strasburg to Stuttgardt, 60 miles distant, the tariff is from 60 to 80 cents; and from Strasburg to Carlsruhe, a distance of 40 miles, the tariff is from 60 to 140 cents. There are no cables there. This extra charge is put on in consequence of crossing the line, even without repeating the dispatch. It is the protective policy applied to the telegraph. Some of the European Governments charge more for permission to shoot a message through the air, over the soil, than they charge their own people for rendering the entire service upon lines which they construct and maintain, so that the discrepancies in the charges for telegraph messages are not all confined to the United States. And this will explain why the losses of some of these countries are so much less than they would otherwise be. If we take the receipts of all these countries separately, there is not one of them that would not be found to have sustained a large loss; and taking all the countries of Continental Europe, the loss on the telegraph business in 1868 the last year, for which we have complete returns, was over $2,000,000 in gold.

Mr. WASHBURN—That observation in regard to transit messages will hardly apply to any extent to England under their new system. Now if the English system is a success, it must be from its internal business, must it not, in the main?

Mr. ORTON—There is a large volume of business between England and points on the Continent—France and Germany especially. I want to answer Mr. Hubbard's reply to the question as to Belgium, I think you stated they were making profits.

Mr. HUBBARD—I stated that, according to a letter which I have from the Director of the Telegraphs for Belgium, for last year, the expenses were about 17 cents and the receipts were about 18—that is for 1869.

Mr. ORTON—In order that our statistics might not be challenged, as they have been by the honorable chairman and others, we have taken much pains, since the 1st of January, by correspondence with the Directors of Telegraphs of every country in Europe, to procure the latest information on this subject, and we are prepared, not merely to make the declaration, but to give the authority for every material statement we may make. According to our data the receipts of Belgium in 1868 were $239,420, and the expenses $258,385, exclusive of the amount paid for construction, which was $21,288. They have got into the habit, on the other side, of manipulating their statistics, and we have dug out of the Swiss report how it is done. Instead of charging up their construction expenses right along, they set aside a capital sum, and draw from it what is required, but charge into the construction account nothing but the interest on the capital which is expended in construction. Now, by that sort of *hocusing* returns, I could make a splendid exhibit.

Mr. PALMER—Mr. Hubbard made the statement that in Europe, as a general rule, messages were received by the eye instead of by the ear, while in this country they are received by the ear or by sound. Did you find that so in your observations in Europe?

Mr. ORTON—As a general rule, a modification of the Morse register—an instrument which makes the Morse characters on a strip of paper—is used not only in England but throughout Europe. The needle system, working with two levers right and left, read by the eye, from the fluctuations of a needle, has been used to a considerable extent in England, but is now generally abandoned. The Morse register, the first Morse instrument introduced into the United States, has been substituted almost entirely for the others. We have received from Mr. Cully, the electrician of the Post-office Telegraphs of Great Britain, within a fortnight, an order to make and send out to him some of our latest and most improved sounders—the instrument to read by sound.

Mr. PALMER—Mr. Hubbard made that point, as illustrating his statement, that the increased facility in this country for receiving messages was more than equivalent to the cheapness of labor abroad.

Mr. ORTON—In that Mr. Hubbard is mistaken. The Morse register will run as fast as the instru-

ment that is read by sound. It takes no more time to make a dot and dash on the paper than it does to make the "clicks" by the sound of which they are distinguished. If it is running, as in the case of the automatic machine which is used in England, in connection with the ink writing register, up to 80 words a minute, it is faster than an operator can copy; that rate of speed would require a copyist. But both operator and copyist together receive only an average of 28 shillings sterling a week, the total for both being about half the average pay of competent operators in our principal cities. We are able, however, to do better work with our facilities—that is, we can work a longer circuit with our apparatus on No. 9 wire, in this country, than they can work with their heavy, lumbering, complicated machines on the No. 6 wire. We should do still better if we had the No. 6 wire, and I have been introducing, within a few months, a larger size.

Mr. PALMER—How long a circuit can they work, without repeating, by paper?

Mr. ORTON—I cannot answer that question. They are not obliged to work very long circuits; 600 miles or so, I suppose to be the maximum, while the average is much less.

Mr. LAWRENCE — Isn't this about the case as between the sound and registering instruments: that the sound instruments are cheaper, while the registering instruments afford more perfect guarantees for accuracy, and at the same time preserve the record—for instance, an operator receiving a message by sound is liable to forget, in writing down the sounds he has received.

Mr. ORTON—No; the two acts of hearing and writing are almost simultaneous. The fact is, there are fewer errors made by the sound operators than by those who read by sight.

Mr. LAWRENCE—How can errors be made in writing from the record of the instrument, when all the dots and dashes are on the strip of paper on which the record is made?

Mr. ORTON—The errors which will be made by the operator who reads by sound result, not from his ignorance of the alphabet, but chiefly from improper writing at the other end, making a dot too long or a dash too short; and such errors change not merely a letter but a combination of letters, and make new words entirely. If I should take up your time I could demonstrate how it is done—even a flash of lightning on the wire may do it.

Mr. LAWRENCE—Have you seen this new instrument—the specimen presented to us the other morning—by which anybody can send messages?

Mr. ORTON—Yes, sir.

Mr. LAWRENCE—Is it of any value?

Mr. ORTON—It is. The telegraph system is destined to be introduced largely for use between offices and private residences, if the Government does not prohibit it. There is a very large use made of it now in the principal cities, between manufactories and counting-houses, and a variety of machines are being produced, such as neat printing instruments, by which the message is printed in Roman letters, the dial, and many other instruments—all useful.

Mr. WASHBURN—But those instruments require skill on the part of the operator?

Mr. ORTON—Some, but not very much. They work very slowly, as a general thing, and are not adapted for use on long lines.

Mr. BECK—It occurred to me to be the fact that when a message is taken by sound, the person receiving, without looking at the thing that was coming, would write out and have it finished by the time the instrument finishes.

Mr. ORTON—That is exactly the case. He commences to write when the first "click" is made and, if you will reflect a moment, you will see that he is listening precisely as this stenographer is listening to me—concentrating his attention on the paper before him, but with his ear fixed to catch what is coming; and as he gets the connection in what is coming along, it aids him to interpret the sounds; and when the writing is done at the sending station, the message is all written out at the receiving station, and ready for delivery.

Mr. BECK—Therefore he must do a larger amount of work than if he had to look at the paper and take it off after it is all done?

Mr. ORTON—Yes, sir. An expert operator will take it from the paper when it comes along, but with this division of his senses: the eye, the finger, the touch, are liable to confuse each other—to operate as disturbing influences; and he may misread and make an error—in fact, is more liable to do it from the paper; but it should not make any particular difference as to time. The principal saving is in the expense of the instruments, and the facility with which they can be used, the register costing about three times as much as an ordinary sounder.

Mr. HUBBARD—I would like also to bring here the statement of Professor Morse, lately published, in which he gives a statement of the messages sent in this country and on the other side.

Mr. ORTON—The statements of Professor Morse were based upon a series of tests made at his request, while abroad, acting as one of the commissioners to the Paris Exposition, as to the utmost capacity of American operators, lines and instruments. Of course we selected those known in the service as the most expert operators, and the results exceeded anything which has heretofore been accomplished by any operators in the world. But, you will see in a moment that this was not any more a test of the

actual capacity of the American operator, as compared with the English operator, than the fact that Dexter can go a mile in 2.17 establishes the fact that the average American horse approximates to that rate of speed as compared with the English horse.

I desire to refer to one point, which I may as well put in here. I think the impression prevails to some extent, especially among those who have been listening for two years to the able arguments and representations of Mr. Hubbard, that the telegraph in the United States is a convenience which our people would be exceedingly glad to use, their tastes and inclinations being in that direction, but which, on account of the exorbitant rates, and the general bad management of the service, they are debarred from using; so that, compared with European countries the use of the telegraph in the United States is merely a bagatelle. Now, if any such impression has been made upon the minds of this committee, let me ask you at the outset to sweep it entirely aside. In no country in the world is the telegraph used so much, in proportion to the population, as in the United States, at the present time. In Switzerland, I believe it is about the same. The difference is very slight, if any; but I think I am safe in making no exception, and in saying that at the present time there is no country in the world where the telegraph is so much used, in proportion to the population, as in the United States. It has been represented that, since the inauguration of the Governmental system in England, there has been a very large increase in the number of messages. I shall not dispute that statement, for no comparisons have been made between the traffic of this year and years before; but there was published in *The Electric Telegraph Review* for February 26, 1870, an article making what was supposed to be a startling announcement showing the average number of messages which had been delivered every day in the City of London. It was stated that during the week ending February 19, 1870, there were delivered in the City of London 15,479 messages, being an average of 2,579 per day. Now the population of London, at the last census was 2,800,000, and taking that week as a basis, it appears that all the telegraphs in Great Britain and Ireland—and for that matter all European telegraphs—centering in London, delivered in that great city but one message per day for each 1,087 inhabitants, while the number of messages delivered in the City of New York, by the Western Union Telegraph Company alone (for the month of February), exclusive of press reports, was 77,745—being an average of 3,239 per day, and, the population of New York being 805,658, shows that the Western Union Company delivered one message per day for every 248 inhabitants, against one for every 1,087 inhabitants in the City of London. The other companies doing business in New York must have delivered 1,000 messages per day during the same time. Taking these into the account and reducing press reports to messages it would appear, that in proportion to population New York City received nearly ten times as many messages as London.

Mr. Chairman and Gentlemen of the Committee:

In endeavoring to answer some inquiries propounded by the committee, and addressed more directly to Mr. Hubbard, I have anticipated some points which would have come in more appropriately at another place in the argument which I desire to submit; and yet, perhaps, the best place to furnish any item of information will be where, by the inquiries of the members of the committee, it appears to them to be needed to illustrate the subject as it is passing through their minds. I shall therefore be glad if, during the progress of this discussion, you will interrupt me at any time for a fuller explanation of anything I may submit, or with any inquiry which may be suggested to you.

It is scarcely necessary that I should speak of the importance of the telegraph as a means of communication, either to the people of the United States, or to the people of all other civilized countries. The fact that this Committee is in session, considering the subject, is evidence of the interest which is being felt concerning it here. But whereas, in other countries it has been necessary for the Government to provide telegraphic facilities, as well for the convenience of the people as an element of power, there has not existed in this country, at any period of our history, any necessity for the intervention of the Government in any of the enterprises undertaken by the people, and in the success of which they are directly interested. It was undoubtedly necessary that, in the early days, the Government should assume the postal service, else the colonies might not have enjoyed the means of communicating with each other—and some means of communicating were undoubtedly essential to their protection and development. But in respect of the telegraph, we have now reached a period when, more than at any other in our history, it meets all the wants of the public in all sections of the country; and yet at this time a Congressional Committee is considering the propriety of taking charge of this business, and of prohibiting its further extension by private enterprise, on the assumption that such action is necessary for the protection and promotion of the public good. It seems proper that at this point I should inquire—as I do most respectfully, Mr. Chairman—whether any portion of the people of the United States have, during this session of Congress, or any preceding session within your knowledge, either by personal appearance be-

fore committees, by letters addressed to members, or by petition, requested any intervention on the part of the Government in this business—and especially whether they have alleged any grievance against the company which I particularly represent? [No reply was made to this inquiry.] I realize the disadvantages under which I labor, in representing an interest to which has been fastened the catch-word, and against which has been raised the cry, "monopoly." And yet there is no greater monopoly in the hands of any private company than the post-office is under the control of the Government. The mere fact of a monopoly proves nothing. The only question to be considered is, whether those who control its affairs administer them properly and in the interest, first, of the owners of the property, and second, of the public. It seems to me that this is the proper question, and that, so long as private enterprise provides reasonably well for the public convenience, it is impolitic for the Government to interfere, unless for the correction of flagrant abuses. But if no abuses are alleged—if no citizen of the United States comes here directly in his own behalf, or through a representative, and alleges a grievance against the company with which I am connected——

Mr. WASHBURN—You were not here, I believe, when Mr. Hubbard stated a grievance—the Davis case.

Mr. HUBBARD—What I stated, as near as I can recollect, was this: I began by stating here, as I have often stated before, that I believed the officers of the Western Union Telegraph Company intend to manage their business fairly and honestly; that I believed they had a monopoly of the commercial news of the country, which, in other hands, might operate greatly to the injury of the whole commercial community. I then stated, as an instance, as a way in which it might be done, the case of Davis, of Cincinnati, without stating whether the facts were true or not. It would have answered my purpose equally well as an imaginary statement of facts. I stated that Davis was in the habit of receiving from his partner in New York commercial messages, and selling them out to his customers; that the commercial bureau of New York was established; that they desired to establish an agency in the city of Cincinnati; that they asked Davis to become associated with them as their agent, which he declined; that subsequently to that he complained that his customers did not receive their messages as promptly as the messages were received through the Western Union Telegraph agency at Cincinnati. One by one they fell off, and Davis thereupon sued the Western Union Telegraph Company, alleging that they were improperly detained, and recovered damages against them. Whether the facts were true or not I didn't intend to say. And I also stated that I believed the suit was still in progress on appeal.

Mr. ORTON (to Mr. Hubbard)—Did Mr. Davis authorize or request you to submit any complaint against us to this Committee?

Mr. HUBBARD—He did not.

Mr. LAWRENCE (to Mr. Orton)—You spoke of correcting abuses. Do you concede the power of Congress to regulate and correct an abuse of the telegraph, where the lines extend into two or more States; and when you deny the power of the State to tax your income derived from messages sent from one State into another, do you not thereby concede that it is a subject over which Congress has power, under the clause of the Constitution giving power to regulate commerce between the States, and cannot Congress regulate and correct abuses—regulate the charges, I mean?

Mr. BECK—Suppose this case of Davis was true, and was worse than that, what is your idea of the province of Congress over you?

Mr. ORTON—Congress has no control over such matters any more than they have over the private business of any man who seeks to profit by deceiving the public. That abuses exist, as offences existed in the olden time, is undoubtedly true. The only question which concerns us is, are we doing our best to remedy the abuses and to protect the public from them? Let me say here, at the outset, that I hope no sensitiveness on the part of the gentlemen of the committee will deter them from asking me any question whatever, on any subject concerning which they would like to have information. I will either give you a frank, straightforward answer, or tell you I do not know, and in either case it will be the truth.

Now as to the Davis case. I had not long been connected with the Western Union Company when I was assigned to duty as chief of the bureau for the redress of grievances, and for nearly a year my knowledge of the business was principally confined to learning, with great accuracy of detail, what the telegraph did not do, or what it did not do well. I ascertained that parties in New Orleans, in Cincinnati, and in the different cities of the country, were in the habit of receiving from correspondents engaged to report the markets, from New York and other principal cities, full market reports during the day, which were duplicated ten, twenty, or a hundred times, as the case might be, and sold to subscribers at an agreed price per week. Competition between the rival parties engaged in selling these market reports in the same place had introduced a new competition; they were competing with each other to see who could bribe and control our operators most to put their messages ahead, and thus give one an advantage over another.

Sir, it was to correct such abuses, which if per-

mitted to grow, would demoralize the whole telegraphic service, destroy public confidence in the integrity of its management, and seriously damage important interests, both public and private, that the Western Union Company established the Commercial News Bureau—this great bugbear, represented to you as endangering the public interests, but which is really a means for their protection, as I hope to explain to your entire satisfaction. It was after weeks, and indeed months of careful consideration, that we decided to undertake it, more as a means of discipline for the correction of abuses in our service, and to protect the public against fraud and imposition, than as a source of profit. At the time of which Mr. Davis complains, some of the correspondents in New York were in the habit of sending out reports from that city purporting to give the state of the foreign markets on days when the lines connecting with the cables were not working, and no foreign messages could come through. These reports, manufactured in New York, were sent to Cincinnati and other western cities over our lines, and thus we were being made parties to the fraud which was being perpetrated upon the unsuspecting purchasers of this *bogus* news. Only the men engaged in this nefarious business have complained, and it was because of our efforts to break it up that we were brought into court at Cincinnati. We have paid no damages, and do not expect to pay any.

Mr. BECK—A statement was made, I think, when you were not here, by Mr. Hubbard, which impressed me at the time, and which I wish your views upon. He remarked, truly, that we received, say in New York, at 10 o'clock in the morning, news of all that was done in London up to two o'clock; and as you went westward, at the opening of the business day, we had information of what had been done in London, and elsewhere during that business day; and if a great war, or commercial revulsion, or information of that kind, that it was extremely important should come by the cable, your company could withhold it until it suited their purposes, and in the mean time control the market here, put up or down the prices, and in fact control the whole commercial business of the country.

Mr. ORTON—I remember, not many years since, hearing the subject discussed very gravely among several venerable and eminent clergymen and deacons, of the immorality, and of course, the impropriety of educating the sexes together. The education of boys and girls together at the same school was looked upon with serious apprehension, and it was gravely affirmed that it should be prohibited and prevented; and yet the very openness of such intercourse, as we all know, is the surest prevention of any abuse. In the first place, those who control the cables on the other side send their messages in such order as they please. We assume that they send them in the order in which they are filed, but we do not know anything about it. In the next place, the foreign market reports distributed by the Commercial News Bureau do not come to us at all; they are sent to the New York Associated Press in cipher; and although the messages pass over our lines, we have no means of ascertaining their contents until they are translated and handed over to us. Now, if the officers of our company should collude with their subordinates, and both together should collude with the Associated Press, and these three parties should combine with the managers of the cables on the other side, it would be possible to take some temporary advantage of it. But I submit, gentlemen, whether the fact that it would require the coöperation of so many persons, subordinates and superiors—whether that would not of itself be a barrier to any improper use of this news?

Again, the same news can be, and is obtained daily by private individuals. There is a contest all the while as to time. The banker in Frankfort, if he gets a point, seeks to send it to his house in New York as soon as he can. The great bulk of this business is done in code or cipher, the dispatch being composed of such words as "cats," "dogs," "bricks," which are entirely meaningless, to all except the holder of the key.

But to resume the Davis case. The bribery of our employés was proven and admitted. It extended even to the bribery of the boys who carried our messages; and if the amount of genius that has been and is to-day being expended by that same crowd (for they are still in the field) had been directed to some useful purpose, I see no reason why they should not have achieved eminent success. Mr. Davis's messages were being sent by an operator who had been bribed—I do not say by him, for I do not know who gave him the particular money we detected passing into his hands—to send them ahead of everything else from a side office in the City of New York. We simply cut out that side office from direct communication with Cincinnati, and required all its business to go through the main office in New York. That stopped that fraud, but Mr. Davis had the same opportunity precisely, if he filed his business in the main office, that every other customer has. During the investigation concerning this commercial news business, we became satisfied that there was a demand in the principal cities for quotations of American and foreign markets, giving the fluctuations during the day, which was not being met either by the papers which are published in the morning or in the evening, or by the private parties engaged in the sale of market news. And we thought it was in the interest of the public that these

two competent, and, as we assumed, responsible parties should openly and publicly undertake the business, advertising to the public that the New-York Associated Press and the Western Union Telegraph Company together would undertake to serve them with foreign and domestic market reports. We assumed that the combined facilities, character and responsibility of the parties, would tend to increase that business by giving increased satisfaction to the public. We therefore embarked in it, and the business is carried on substantially in this manner: When a message is received at the end of the cable wire, it goes up the tube and is sent across the street through the conductor to the Associated Press office. They have the only key by which this message can be translated. As soon as it is translated they send it back to the commercial news office, where the foreign quotations are prepared and sent out. The quotations are then sent to Cincinnati or Chicago, as the case may be, occupying say a minute in the transmission; and when this is done they are then manifolded and duplicated for distribution through the City of New York. Now, to the extent of the occupation of that wire, you may say that it is a preferential use of it. Some operator up stairs, if you please, is sending a message on that wire; but at the signal "C. N. D.," representing the Commercial News Department, he gives way, and his wire is taken for the moment that is required to send that quotation, and in a few minutes the merchants of New Orleans are advised of the state of the cotton market at Liverpool; Pittsburgh of the petroleum quotations at Antwerp; and Chicago and Milwaukee of the grain markets of the world. The reports are sold at very low rates, and are open to all who desire to receive them. Now, then, if there is anything about this business that is not in the public interest, nobody is so much interested in discovering the fact as we are. It was undertaken, as I have stated, in the public interest; is conducted in the public interest; and I here assert, deliberately, that we should have made more money if we had left it to the competition of irresponsible parties, but we should not have served the public so well.

Mr. WASHBURN—You speak of this news being distributed by the Associated Press. Explain your arrangement with the Associated Press, and state what composes the Associated Press.

Mr. ORTON—The New York Associated Press is a partnership in which the *Tribune*, *Times*, *Herald*, *World*, *Sun*, *Express* and the *Journal of Commerce* are partners. I believe they have regular articles of copartnership, precisely as a business firm. They were organized primarily to cheapen the cost of the news which they desired to publish. It may be within the recollection of gentlemen here—it is certainly if they were ever familiar with the facts at all—that years ago, before the establishment of the telegraph, there were established by enterprising newspapers, especially by Mr. Bennett, of the *Herald*, horse expresses to carry news. The Presidential election news was carried in that manner for several years. After the introduction of the telegraph, and the establishment, I think, of telegraphic communication with Halifax—perhaps even earlier than that—these papers combined, agreeing that certain news should be prepared of a non-partisan character, that would be interesting to the public and serve the purpose of papers of all complexions of politics, and thus enable them to give a larger volume of news at a dimished cost to each. That was its primary object, and that is its object to-day. There came a time, however, as newspapers increased in numbers and importance, when it became very desirable for papers at a distance from New York to have news. The result has been that there are now in existence, besides the New York Associated Press, the New England Associated Press, the New York State Associated Press, composed of the country papers in the State of New York. Then we have the Western Associated Press, the Northwestern Associated Press, the Kansas and Missouri Associated Press, the Southern Associated Press, and the California Associated Press. I believe these are all the organized associations. The New York Associated Press either supplies the news at New York for all these associations, or supplies it under an arrangement with the Western Union Company, for transmitting by telegraph directly to the papers of the association, for stipulated sums. In this case the New York Associated Press contract with us to transmit, at certain hours of the day or night, despatches of 250, 500, 1,000, or 5,000 words, as the case may be, deliverable to so many places; and there may be two, three, four or five papers in each of those places to which the news is to be delivered. Another arrangement is like that with the New England Associated Press. They provide their own reporter, who has the *entrée* to the office of the Associated Press in New York city, access to all of its news, and he there makes up from the news arriving by telegraph at the New York office such reports as, in his judgment, will be acceptable to the association he represents. We serve the New England Associated Press by direct contract with them, they buying the news of the New York Association and paying a stipulated sum for it, and paying us the prices agreed upon for our services. We have a similar arrangement with the Western Associated Press, and with the other associations to which I have referred, except the Southern Associated Press, which is supplied directly by the New York Associated

Press, the latter paying us the stipulated amount for the services which we render.

Now, the result of these combinations is, that the Western Union Company delivers to the press of the United States annually, for less than a million dollars in currency, more telegraphic matter than is transmitted by all the other telegraphs in the world. That is a fact entitled to very grave consideration. Ours is a popular Government—our people have an interest in the dissemination of news, while most European governments have an interest in suppressing the news. In France, the telegraph lines are the arms of its police, and during a portion of every twenty-four hours the telegraph is brought to a stand still, and no messages are transmitted until the supervision—the espionage of the Government superintendents—has been concluded. I say, therefore, we are entitled to have taken into account this valuable service which is rendered to the public at large, and for which they only pay with their newspapers. The telegraph of the United States is entitled to credit for the enormous contribution which it makes to that result, so that the newspapers printed in Chicago and San Francisco this morning are almost as full of news from all parts of the world as those printed in the City of New York. I stated to a friend in London last winter, that I would undertake to produce an American journal, printed a thousand miles from the Atlantic coast, that should contain more news from all parts of the world, in a single issue, than could be gleaned from the London *Times* in a week. And it is true. Our telegraphic system—unlike that of Europe, which is under a separate, independent and, in some respects, antagonistic control in each of the several nationalities—covers a continent. We endeavor to meet the requirements of the Press with the utmost liberality. With but few exceptions they are entirely satisfied with our service, and their voice and influence are overwhelmingly on the side of leaving in private hands a business which has done so much to promote their interests, and done it so well.

Mr. WASHBURN—Mr. Hubbard remarked, when you were not here, that you had a contract with this Associated Press, which did not allow them to speak in disparaging terms of the Western Union Telegraph Company.

Mr. BECK—It has been, I think, suggested by Mr. Hubbard that perhaps the very cheapness with which you were furnishing the press, especially, required you to charge private individuals a great deal more than you otherwise would, in order to keep up the general average profits, and pay a dividend on your stock, and that the private individual is paying more than he ought to, in order that you might serve the press cheaper than you ought to.

Mr. ORTON—We did have a contract with the New York Associated Press. We have had no contract with them for more than a year, because it was terminated upon notice given by our Company. We, therefore, have no contract with these seven newspapers, but are serving them at rates agreed upon from time to time, but without any compulsion whatsoever on their part to say anything for us, or not to say anything against us, except as they are so inclined.

Mr. WASHBURN—Had you such contract?

Mr. ORTON—We never had such a contract with the New York Associated Press as that stated by Mr. Hubbard. One of its members, the New York *Herald*, in its issue of yesterday, gives the following, which, as it is much more uncomplimentary to the committee than it is to me, I perhaps ought to apologise for introducing here:

"THE POSTAL TELEGRAPH.—The select committee which has charge of Mr. Washburn's excellent bill for the reorganization of the telegraph of the country has notified Mr. Orton, President of the Western Union Telegraph Company, to come up and make a last dying speech and confession against the bill before they report it. If this is all there is of the matter there is no harm; for neither Mr. Orton nor any other man can disprove the great advantages of the bill. But it is well for the people to watch the movement, lest this invitation to Orton prove the cover to some new ruse of jobbery."

So that, gentlemen, if my arguments shall be so plausible, persuasive, and convincing as to induce you to modify the judgment which I fear you have formed against us in advance, as "the great monopoly;" if you let up one iota, the *Herald* is going to hold it as a cover to some jobbery. I, of course, feel complimented by the imputation that it is possible for me to "job" with this committee.

I will say further, in reply to Mr. Washburn's question, that we have a stipulation in some of our press contracts, that they will not advocate the establishment of competing lines to the injury of the business of the Western Union Company. We have such a stipulation now.

Mr. LAWRENCE—That is a contract against public policy.

Mr. ORTON—But it was voluntarily signed, and was originally suggested by some of the press themselves as the best means of keeping some of their own attachés from occasionally running off with a few shares of new telegraph stock in their pockets, and writing the swindle up in the paper next morning against the interests of the proprietors. They thought it would be best to have it in the contract, and then there could be no dispute about it. I fail to see wherein it is against public policy. I think the holders of stock in the bankrupt Telegraph Companies which have sprung up within the last few years, have not a very exalted opinion

of that exercise of the freedom of the press, which induced them to invest their money where it will never return either principal or interest.

Mr. WASHBURN—There are seven papers in New York that compose this Associated Press?

Mr. ORTON—Yes, sir.

Mr. WASHBURN—Was that the original number associated together?

Mr. ORTON—I believe the number was originally six, and subsequently increased to seven by the admission of the New York *Times*.

Mr. WASHBURN—Can any other paper in New York come into that Association—can any new paper be established in New York?

Mr. ORTON—No other paper can be admitted without the consent of the present members. The fact that other papers have been established, I suppose, will be a sufficient answer to the last part of the question—such as *The Evening Post*, *The Commercial Advertiser*, *The Star* and *Mail*.

Mr. WASHBURN—Doesn't *The Evening Post* belong to the Association?

Mr. ORTON—No, sir; the *Post* has an arrangement by which it buys and receives the telegraph news, as does *The Commercial Advertiser*. *The Evening Mail*, *The Star* and *The Democrat* do not belong to the Associated Press nor receive its news.

I can see no reason why it should be claimed that a new newspaper, established in the City of New York, should be admitted into the partnership of the papers which constitute that partnership—the Associated Press—any more than if I undertook to set up in the dry goods business I should demand that A. T. Stewart—who has the largest dry goods monopoly on the continent, if not in the world—should let me come into partnership with him. It is purely a private matter. It is not against public policy. The telegraph lines are open to all those other papers, on the same terms precisely that they are to the Associated Press; there is no abuse, and there has been no abuse. We have an interest to get as much as we can get for our services, and they have an interest to get as much as they can from our lines, and pay us as little as possible for it.

Mr. WASHBURN—Suppose these other papers, the *Post*, and the *Star*, and the *Mail* should combine and make a new Associated Press, would you give them dispatches on the same terms as you do the present Association?

Mr. ORTON—Yes, sir—precisely.

The Committee then adjourned.

WASHINGTON, D. C., May 11, 1870.

Mr. ORTON addressed the committee as follows:

MR. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: When the committee closed its last session, I was replying to some inquiries made by members of the committee concerning the organization known as the "Associated Press," and the relation of the Western Union Telegraph Company to that association. I explained that it was a partnership of seven journals, in the city of New York formed, primarily, for the purpose of increasing the quantity of news, for their own use; but which had become dealers in general news by supplying similar organizations in different parts of the country with news gathered at New York, and receiving in return news collected by them. I explained that under this arrangement between the Associated Press of New York and the various news associations throughout the country on the one hand, and the Western Union Telegraph Company on the other, there was served annually to the press of the United States a larger mass of telegraphic matter than was transmitted by all the other telegraph lines of the world. I claim that that fact should be taken into account and allowed due weight in the consideration of any action proposed to be taken by the government in reference to the Western Union Telegraph Company

In this connection allow me to refer to a little incident which occurred recently in London. During a session of Parliament one evening, a few weeks ago, the Marquis of Hartington, the present Postmaster-General of Great Britain, was inquired of whether the statement in circulation was true, that the reports of parliamentary proceedings supposed to be transmitted by telegraph were being sent out by railroad, on account of the inability of the telegraph lines to carry the amount of news with which they were supplied. The postmaster-general replied that it was true, to some extent. The low rate of service offered the press, and the rivalry of competing associations, had resulted in putting upon the wires a mass of news entirely beyond their capacity to transmit; and to get the news to the country papers, it was found necessary to send it out by train. He declared that he saw no remedy for that condition of affairs, except by a combination on the part of the newspapers, and that unless some such combination was effected—(similar to the combinations among newspapers in America)—the telegraph in England would be utterly unable to render a satisfactory service. Telegraph men in England anticipated that result, in my discussion with them in January.

Mr. WASHBURN.—Have the British press made any serious complaint with regard to delay in the transmission of news?

Mr. ORTON.—I do not understand that there is any considerable complaint at present; there has been a marked improvement in the service recently.

Mr. WASHBURN.—Has there been any increase in the number of messages sent since the government took possession?

Mr. ORTON.—There has been an increase every month in the number of messages transmitted as compared with the preceding month, which was to be expected, since the traffic always materially increases in all northern countries from February to June; but as no comparisons have been made with the corresponding months of last year, I cannot say whether there has been any actual increase over the business of 1869.

Mr. WASHBURN.—Some time ago, there was a circular placed upon the desks of all the members, in which the system was represented to be a perfect failure. Are you now satisfied that that representation was incorrect?

Mr. ORTON.—No, sir. I have no doubt of its correctness. I think it has been a failure up to a very recent time. I have not the least doubt as to that.

Mr. BECK.—Do I understand you to say that the Postmaster-General of England declared that the only way in which the difficulty referred to could be overcome was by adopting a system like that which we have in America?

Mr. ORTON.—He said, the difficulty could only be obviated by a combination among the newspapers. I merely added the suggestion that such a combination there would be similar to our press associations here.

Mr. BECK.—Has there never been any combination among their papers?

Mr. ORTON.—Not that I am aware of.

Mr. BECK.—Had the same evil been existing before the government took possession of the telegraph?

Mr. ORTON.—No, sir; but the very low rate adopted—one hundred words for a shilling—and some rivalry among the papers, had resulted in putting upon the wires, for the press, a much larger amount of matter than they were formerly in the habit of receiving.

Mr. WASHBURN.—There were not wires enough to accommodate the increase of business. In other words, all that was wanted was, an increase of wires.

Mr. ORTON.—Increase of wires was wanted certainly, but whether that was all, I am unable to say. Perhaps it will pay to put up additional wires to carry news, at the rate of one hundred words for a shilling, in England. It will not pay in this country, however.

There is a great difference between the British government and that of the United States in one respect. In England, officials are selected with reference to their fitness for their duties; they are well paid for their work, and are retained in office so long as they continue to perform their duties properly; and if, after a life spent in faithful service, they become unable to perform their duties, they are retired upon a pension that will keep them at least out of the workhouse. The trouble in England is not peculiarly with reference to any difficulty in the government operating the telegraph; but in erroneous ideas as to the capability of the telegraph, and what is requisite to operate it successfully. There seems to be a general impression that the only fact to be taken into consideration is, that a wire can convey so many messages in twenty-four hours. But this idea is a great fallacy. It is necessary to provide facilities to meet the largest emergency that will arise, and when it arises. The great demand for the telegraph is during a very few hours of the day; between 10 in the morning and 4 in the afternoon, the great bulk of the telegraphic business in the country is done. In our practice, we make a large difference for services rendered before 9 o'clock in the morning and after 6 o'clock in the afternoon. Between 11 o'clock and 2, we want nearly as much for news transmitted to the papers as for private telegrams.

There is some difference, for this reason: if an operator sits down to send an ordinary ten-word message he actually has to transmit on an average about thirty words. First comes the date and address, and afterward the signature, and the check-words, bringing up the length of a ten-word message to an average of thirty or thirty-five words. But a message sent to a newspaper in New York has no such address as "Alexander H. Abercrombie, care of Obadiah Robinson, Number 13 University Place, New York," nor any of the other extraneous words necessary upon an ordinary business message, except the signature, and very often not that; but perhaps three or four hundred words in succession.

On account of these and other reasons, it is as easy to send one hundred words of ordinary press news, as two ten-word messages. So we can afford, even in our busiest time, to send a hundred or five hundred words of news at half the price charged for ordinary business messages.

But, as I was saying, it is necessary to provide facilities enough, not only for the average amount of business for which the wires will be demanded, but to meet the great pressure which is put upon them during the few active business hours of the day.

It is true that we can do something to relieve this pressure by inducing the public to send messages during other hours, at a lower rate of

service. We are thus able to utilize the wires during a larger part of the twenty-four hours than before, and to give a little lower rate of service during that part of the day, without materially diminishing the profits.

The British government made a mistake in assuming that the telegraph offices could be put into the post-offices and serve all the demands of business; that if telegraph companies had been maintaining, for instance, five offices, it was a great waste of rent, and of other expenses; and that they could close up four of the offices, and crowd all the business into one. The attempt to do this resulted in a great deal of confusion. It was as if, in New York, the offices of the produce exchange, the stock exchange, the cotton market, the oyster market, the petroleum market, etc., etc., to each of which a wire now leads and an operator is provided during business hours (as an operator is here, during the session of the House of Representatives); it is as if all these offices should be abolished, and transferred into the city post-office. You will at once see that it would result in very great confusion and much delay. When the offices were separate, a message could be transmitted and delivered to the person to whom it was sent inside of three or five minutes; and a great deal of business could be crowded into a short time. But if every operator in gold, or government or railroads stocks, or cotton, or engaged in any other business were compelled to send every message down to the post-office, and have every message intended for him delivered to him from the post-office, that kind of business would inevitably diminish, whatever the expense of transmission might be.

Mr. WASHBURN.—Are the business public of Great Britain dissatisfied?

Mr. ORTON.—They have been, very largely. I have no idea but that in Great Britain the plan will ultimately succeed; but it has been a failure up to this time.

I hold in my hands a lithographed letter, a form provided by the British Post-Office Department, relating to its telegraphic service. This letter is addressed to R. Stewart, Liverpool, inclosing a one shilling stamp, refunded to Mr. Stewart on account of a message not properly transmitted. It commences by saying, "With reference to your letter"—these words being lithographed. The words following "the 21st of March," are written, as are also some other portions of the letter. Let me call your attention to the fact that this sheet is numbered, "30,307;" showing that 30,307 complaints *of this particular kind*, had been received, *by* letter, and acted upon, up to the date of this lithographed reply—April 5th. That is a larger number of complaints than the Western Union Telegraph Company have received in ten years. You will observe that notice is given here, that in case of further correspondence on this subject, the above number should be quoted.

I desire, at this stage of the discussion, to reply very briefly to a few of the points of difference between the chairman of this committee and myself, as raised in the speech of the chairman, delivered in the House in December last, in so far as he refers to the previously published statements either of myself or of my company. I think I shall be able at least to justify the statements I have made, if I do not succeed, as I hope to do, in fully establishing their correctness.

The chairman, in his speech on that occasion, as quoted in the *Globe* of December 30th, 1869, remarked:

"Though the inventor of the electric telegraph was an American, and though the people of the United States were the first to adopt that method of conveying intelligence, they are to be the last civilized nation to enjoy the full benefits of that wonderful invention; for it can not truthfully be denied that telegraphing in the United States is far more expensive, inaccurate, uncertain, and tardy in transmission and delivery than in any other enlightened country. It is claimed by all other civilized nations that the same reasons that exist for their controlling the post-office also exist for controlling the telegraph; and acting upon that impression, they all do control it. With what result I will show by official figures before I close."

Now, while the chairman undoubtedly believed that statement to be strictly true, I claim and shall endeavor to show that it is erroneous in every essential particular.

In Europe, the ratio of miles of line to population is as 1 to 2238. In the United States, as 1 to 420.

In Europe, the ratio of miles of wire to population is as 1 to 800. In the United States, as 1 to 238.

In Europe, the proportion of messages to population is as 1 to 19. In the United States, as 1 to 3.

In Europe, the proportion of telegraph offices to population is as 1 to 47,200. In the United States, as 1 to 6000.

The average tolls upon telegrams in Europe and in the United States are about the same; but in Europe they are managed at a loss of over $2,000,000 per annum, while in the United States they pay internal taxes amounting to over $300,000 per annum, besides yielding profit sufficient to provide for large extensions of lines, and some dividends to stockholders—although such dividends average less than upon most other investments on the basis of the cash value.

The next paragraph to which I will call your attention is the following:

"The Government of Switzerland appears to have been the first to appreciate the importance of supplying the public with a comprehensive telegraph system, and to recognize the wisdom of adopting a low scale of prices."

We have recently received from the Swiss administration of telegraphs its latest report, extending from the organization of the telegraph system in that country down nearly to the present time. That report has been translated, the statistics contained therein carefully digested, and a circular in reference thereto placed upon the desk of each member of the House, a few weeks ago. I shall only refer to that now, instead of entering into any elaborate review of the matter. I will say, however, that the official reports show that in 1852 Switzerland had thirty-four telegraph offices, and received $708.39 for transmitting messages.

In the United States, in 1852, the telegraph had been in successful operation for seven years, and there were no less than three competing lines in operation on all the principal routes. Lines were in operation from Maine to Louisiana as early as 1848.

The Swiss administration publishes a table showing the original rates between Berne and various cities in Europe, and those charged at the present time. The following is a reproduction of this table, with the addition, for purposes of comparison, of the rates from New York to cities of the United States of the same or nearly the same distances.

FROM BERNE TO	Distance in miles.	Tariff in 1852.	Tariff in 1870.
London	700	$6 59	$1 40
Paris	400	2 63	60
Marseilles	360	4 70	60
Berlin	700	3 00	80
Vienna	650	3 50	80
Stuttgardt	230	1 00	40
Carlsruhe	250	1 21	40
Turin	180	2 00	40
Rome	590	5 98	80
Naples	740	6 84	60
Constantinople	1550	8 50	1 60
	6350	$45 95	$8 40

FROM NEW YORK TO	Distance in miles.	Tariff in 1852.	Tariff in 1870.
Louisville	700	$1 95	$ 75
Wheeling	400	1 35	30
Pittsburg	330	1 15	25
Chicago	750	2 05	1 00
Cincinnati	600	1 90	60
Buffalo	300	75	50
Baltimore	200	70	35
Boston	195	30	30
Milwaukee	750	2 25	1 10
Galena	1400	2 35	1 20
Memphis	2000	2 85	1 25
	7625	$17 60	$7 60

From this it will be seen that the average tolls between Berne and eleven principal cities in Europe, in 1852, were seven cents and two mills per mile. Between New York and eleven principal cities in the United States, the average tolls were two and three tenths mills per mile.

In 1870, the average tolls between Berne and eleven principal cities in Europe, are one and three tenths mills per mile. Between New York and eleven principal cities in the United States, the average tolls are one mill per mile.

All the above rates are given in American gold, excepting the rates in America for 1870, *which are given in paper currency.*

This statement refers to messages sent in the daytime, although, as before mentioned, a service of half rates is now provided in the United States for messages not requiring immediate dispatch. They may be filed at the office during the day, sent as opportunity occurs, and delivered the next morning, at one half the ordinary rates. A considerable number of such messages are sent at these reduced rates, though the number is much less than one would naturally suppose; still, it does stimulate some new business. The number is steadily increasing, and is destined, no doubt, to become quite large, and to constitute an element that will effect a material reduction of the average of the telegraphic tolls in the United States.

I read the following from the remarks of the chairman in relation to Switzerland:

"On January 1st, 1868, the rate was reduced to one half franc for twenty words. For ten cents, therefore, a message is transmitted from one part to any other part of Switzerland; while to nearly every post-office, even in remote localities, a telegraph is attached. The introduction of a low scale of charges, which at first was regarded as a bold experiment, has proved a complete success. *The receipts show a large surplus over the expenditures.*"

I hold in my hands an extract from a paper containing a summary of the statistics of the telegraphic service in Switzerland from 1852 to 1869, copied from the official reports of the Swiss administration. The total expenditures for telegraph service from

1852 to 1869 were $1,724,497 82
The receipts for telegrams were .. 1,544,664 47

Resulting in a loss of..... $179,733 35

During those seventeen years 4,294,023 internal telegrams were transmitted, the receipts for which amounted to $825,386.53, or 19 cents each; and 1,708,293 international and 507,758 transit messages, the receipts for which were $719,277.94, or 32 cents each. The total number of messages transmitted during this period

was 6,510,074, the receipts upon which amounted to $1,544,664.46, or 23 cents each.

The average distance over which messages are transmitted in Switzerland is 50 miles, making the cost of each message per mile 4 6-10 mills.

The average tolls upon messages in the United States is 58 cents, and the average distances that they are transmitted 300 miles, making the cost per mile 1 9-10 mills, or less than one half as much as the average Swiss rate.

By an examination of the Swiss tables it will be seen that $210,387.67 were received from "divers other sources," which the official report states are essentially composed of contributions from the communes. The various states belonging to the confederation are required to contribute toward the first cost of establishing telegraphic facilities in any given locality. Every community, desiring to possess a telegraph within its district, has to share, *pro rata*, in the expenditure attendant thereon. This contribution is regulated by a tax, fixed at 60 cents for every 100 inhabitants. There is a further stipulation which requires from the local or municipal authorities a guarantee to pay the current office expenses at the minor stations during the first three years.

The official report of the Swiss Telegraph Administration for 1866, contains the following explanation regarding these forced contributions and the necessity for continuing them:

"The general financial result is especially interesting, showing an excess of $43,226 in receipts over the expenses, a sum which represents the net benefit to the confederation from the telegraph since the origin of the institution. *Or, as the divers other receipts, foreign to those of the telegraph proper, amounted during the same period* to $187,296.82, it shows that if the confederation had not created these extraordinary resources—that is to say, *if the government had desired that the expenses of the telegraph service should be covered by the receipts upon messages, there would be a total loss of* $144,070.82."

Mr. WASHBURN.—I have here a letter from our Minister to Switzerland, Horace Rublee, in which he says, under date of March 21st, 1870, that the total receipts from the telegraph service for 1869 reached 1,043,350 francs; the cost to the administration for the same period, 913,104 francs; leaving 130,246 francs as net receipts.

Mr. ORTON.—I will venture the assertion, and will prove it from the official record, that, so far from that statement being true, the telegraph in Switzerland, during that year, did not pay its own expenses. There is this fact to be taken into consideration: in Switzerland, instead of the expense of construction and extension being charged to profit and loss, they are covered by a special credit of $100,000—an appropriation made by the administration for that special purpose, and only the interest on the sum annually expended is charged to expense account.

Mr. WASHBURN.—Mr. Harrington, who has resided in Switzerland, was before this committee, and made the statement that the Swiss Government received back enough in profits to pay interest on the investment.

Mr. ORTON.—I submit whether the official report of the telegraph in Switzerland is not a more reliable authority before this committee than the opinions of Mr. Harrington.

Our company charges the cost of construction and extension in the current expenses; and as they extend the lines, and add new wires, they reduce the rates. We are now issuing no stock nor bonds; but are putting all we can spare into the extension of our property, giving the public the benefit at reduced rates. The result is, we have now nearly twenty thousand miles more wire in operation than we had two and a half years ago, are under larger expenses, and realize less profit than then.

I read again from General Washburn's remarks:

"The Western Union Telegraph Company having made statements in regard to the workings of the telegraph in Switzerland that are unsustained by the facts, I desire to read in this connection a letter from a Swiss gentleman of high standing, and one fully informed in regard to all the facts of which he speaks."

I will quote from this letter, thus referred to by the chairman, enough to show how easy it is for even a high official to be mistaken concerning a business with which he is not conversant or directly connected. He says, "It will be seen from the annexed tables that the number of offices in Switzerland, in September, 1869, was 442, or one for every 5667 of the inhabitants; and the number of internal telegrams for 1868, under the reduced rates, were, December excluded, nearly 1,500,000, each message averaging in cost 45 centimes; and apportioned to each 1000 inhabitants 600 internal messages."

I hold in my hand the official reports of the Swiss administration of the telegraph, giving the whole number of internal despatches transmitted during seventeen years, among them the year 1868, *December included*. The number, instead of being a million and a half, as the writer of that letter represents, is but 798,186. I submit the report of the director-general of the telegraph in Switzerland should be accepted as evidence against the opinion or estimate of any other person whatsoever. I will explain, however, how the mistake occurred; and it is a very natural mistake: he counts every dispatch twice—once when sent, and again when received.

Mr. WASHBURN.—His statistics are not full, December being omitted. But with that omission, and with the exception of this error of twice counting, is his statement correct, so far as he goes, in regard to the number of dispatches sent?

Mr. ORTON. There are other errors. I will read from the letter again. "It will be observed furthermore, that the allusions, on page 108, of the statement of the Western Union Telegraph Company, that probably one half of the messages transmitted in Switzerland were international or transit is erroneous, as not even one fifth of the total messages transmitted belong to that class."

The official report for 1866—the year alluded to—gives the number of internal dispatches at 383,159, and of international and transit at 285,758, showing that the latter was 43 per cent of the whole, or nearly one half, as stated in our pamphlet.

I quote again from Mr. Wermuth's letter,

"In regard to the remarks made on page 44 of the statement relative to the difference between telegraphic and postal communications, etc., it might be said that the former, as it exists at present, will certainly admit of improvement; one feature of which is being solved in Switzerland by the use of M. Hipp's autographic telegrams, which enable messages to be transmitted in the original handwriting of the sender and obviates the necessity of any employee of either telegraphic bureau needing any thing more than the address, which at the receiving office is written on the envelope wherein the autographic message has been placed, and thus sent unread to the party for whom it is intended. The undersigned merely mentions this fact to show that even telegraphic communication is being simplified in a manner calculated before many years to require but little more skilled service than is required in our modern post-offices."

In reply to the above I will quote the following from the official Swiss report for 1867.

"We have attentively observed the improvements in the Morse apparatus, as well as the progress which has been made in the apparatus of the various printing, autographic, and other systems. But we are compelled to say that the last model of the Morse apparatus, which we have adopted this year, responds to the exigencies of our service in a very satisfactory manner, and that the time has not arrived, in the condition of our service, for replacing the Morse apparatus by any other system."

From the same authority I quote the following from the report for 1868:

"The apparatus has not undergone, during the year 1868, any modification of a nature to be mentioned here, *and the Morse apparatus, under diverse forms, has continued to be solely employed by the administration of telegraphs.*"

Gen. Washburn, in his speech, next refers to Belgium. He says, "It will be seen that the inland messages which, in 1865, with a tariff of one franc for twenty words, numbered 332,724, in 1867, under the reduced tariff of half a franc, or ten cents for twenty words, reached 817,652, and this vast increase is not due to any considerable extension of telegraph line, less than four hundred miles having been added in the meantime."

The official reports of the traffic of the Belgian Telegraphs, published in the Annals of Public Works, to which department the telegraphs belong, state that in the beginning of 1865 there were 4420 miles of wire in operation in Belgium, and in 1867 there were 7398 miles, *being an increase of* 2978 *miles*, or 67 per cent. While it is true that the internal messages increased in two years from 332,721 to 817,652, the international and transit increased only from 341,316 in 1865 to 471,067 in 1867; thus making the total number of dispatches, in 1865, 674,037, and in 1867, 1,288,719, being an increase of 614,682, or 90 per cent. But in anticipation of the enlarged traffic from the reduction in the rates for internal telegrams in 1865, the Belgian administration constructed the previous year 1524 miles of wire, so that the total increase of wire was 3524 miles, or 80 per cent. The increase in expenses was also equally marked. In 1864, the expenditures were only $114,411, while in 1866 they were $242,901, being an increase of $128,490, or 110 per cent. In 1864, the receipts were $157,879, and in 1866 $192,442, showing an increase of only $34,563, or 22 per cent.

I read again from Gen. Washburn's speech:

"The experience of Switzerland has been equally or more remarkable. In 1867, under the tariff of one franc, the internal messages for the first eleven months of the year amounted to 739,107; while, for the corresponding months of 1868, under the tariff of half a franc, the internal messages reached 1,479,304."

I have already explained how the chairman was led into that mistake.

In Switzerland, during the year 1867, in anticipation of a large increase of business by the reduction of the tolls, great additions were made to the lines and wires. At the beginning of 1867, there were 4098 miles of wire in operation in Switzerland, and on the 1st of January, 1869, there were 6438, (including 832 miles belonging to the railways,) being an increase of 2340 miles, or 57 per cent, in the number of miles of wire, while the total increase in the number of messages transmitted was but 63 per cent. *And yet it is officially stated in the report of the working of the Swiss lines that there was a time during the summer of* 1868 *when the number of messages was found to exceed the means of transmission.*

Let me call your attention to the fact contained in that last paragraph. I desire it to be under-

stood as admitted, that the number of messages will be increased; but also wish you to understand that there is another side to the case. The receipts in Switzerland, in 1867, of all kinds, from the sale of stamps; the receipts of international and transit messages; the contributions of communes, etc., amounted to $164,707.70; in 1868, to $184,236.49. The expenditures in 1867 amounted to $149,795.29; in 1868, to $211,821.29. In 1867 there were $34,008.13 expended for the construction and repair of lines; in 1868, $62,881.23. So we see that while the receipts went up from $164,000 to $184,000, the expenses went up from $149,000 to $211,000; or taking out the amount expended for construction and repairs during the two years, the other expenditures were increased from $115,787.03 to $148,940.06, showing the increase of expenses, for 1868 to have been $33,153.03, or 29 per cent.

I will refer in this connection to another item from the chairman's speech, in which he gives credit to Mr. George Sauer, an American gentleman residing in Paris, for valuable information in regard to European telegraphy.

I caused to be placed upon the desks of the members of the House, a few weeks ago, a review of Mr. Sauer's book,* for the express purpose of giving any who desired to do so an opportunity to examine them, to institute comparisons, and to confront me with any erroneous statements that I may make. Without going into details, I invite the attention of the committee to that document. I simply put Mr. Sauer himself against himself. It is impossible for him to state the same item twice alike. He counts his messages both ways, thus doubling the number and greatly reducing the average cost per message. Other errors will be seen by referring to the document before spoken of.

We claim credit for the Western Union Telegraph Company for some progress, from the fact that the chairman of this committee has not been able to keep up with it in regard to the reduction of its rates. At no time when statements have been published in regard to our rates, have they come within gun-shot of the facts.

MR. WASHBURN.—Those rates I obtained last summer, directly from the telegraph offices. I have no doubt but you have reduced the rates on many lines, and between many places, since then.

MR. ORTON.—I want you to admit that we have made a very general reduction. Such is the fact.

MR. WASHBURN.—I certainly want to be accurate when I can. If you will furnish the committee a table of your rates throughout the country we shall be very glad.

MR. ORTON.—I may say in this connection that the preparation of a table of tariff rates for a telegraph system to cover the United States, as that of the Western Union Telegraph Company does, is a work of immense magnitude. When you reflect for a moment that if there are five thousand offices, each separate office must have a separate tariff to each of the 4999 other offices, you can see by simple multiplication what is involved in the preparation of such a tariff. The heterogeneous and confused list of tariff rates growing out of the old segregated system of lines, was one of the first obstacles sought to be overcome by the consolidation of the various lines in 1866, and one of the first duties undertaken after that consolidation was the preparation of a complete and consistent tariff system. It took the labor of from three to five men two years, and cost probably thirty thousand dollars. The foundation of the system is air-line distances. This system was put into operation on the 1st of October last. When that system went into operation, a very large reduction was made everywhere. In Texas and some portions of the South, the reduction was estimated at fully one half.

You may obtain some idea of the amount of reduction when I tell you that the first month after that system went into operation, our revenues dropped $40,000. At this time, with ten thousand miles more of wire in operation than we had a year ago to-day, and two or three hundred more offices, making our expenses from $10,000 to $20,000 heavier, our receipts are $10,000 less per month. The estimated reduction by that tariff throughout the entire country was sixteen per cent. A few days ago, we made a calculation which will show the difference between our present rates and the old rates in a striking light. In January and February of this year, there was an increase in the number of messages sent by our lines of twelve per cent over the number sent during the corresponding months of last year; our expenses were increased eleven per cent and a fraction, while the difference against us in net receipts was over $200,000.

Mr. WASHBURN says, in reference to the average cost of sending messages:

"To obtain the true average, they should have taken the rate of messages to the capital of each State from Washington, and then struck the average."

That plan involves a great fallacy. It could exhibit a true result only upon the condition that an *equal number* of dispatches were sent to every office in the United States. The correct way is, to divide the tolls by the whole number of dis-

* See appendix.

patches actually sent. Suppose ninety-nine messages are sent from Washington to New York, while one is sent from Washington to Los Angelos, California. Would it be right to add together the cost of the one message to Los Angelos, and one to New York, and call that the average cost of all the dispatches sent to those two places?

Mr. WASHBURN. — But on the shorter lines you do a larger business, while on the longer lines but little business is done.

Mr. ORTON.—I scarcely know what you mean by that remark. Do you desire to have it inferred that the price of transmission is all that enters into the question? In other words, that if you make the price low enough, messages enough will be sent to prevent diminution in the net receipts?

Mr. WASHBURN.—Oh! no, sir.

Mr. ORTON.—I wish to say that, while, as a general rule, the number of messages will be increased by the reduction of rates, that rule is by no means universal; there are other elements to be taken into account. I can prove a reduction in the number of messages following a large reduction in the rate. I appeal to the statistics in reference to San Francisco. Under the former tariff, the expense of sending a ten-word message from New York to San Francisco was $7.85; the rate from San Francisco this way was the same in gold. We endeavored to adjust that inequality by reducing the cost of transmission from San Francisco to New York 35 per cent, that being at that time the premium on gold. The rate is now $5 from New York to San Francisco, and $4 in gold from San Francisco to New York, the adjustment being made on the basis of 20 per cent difference between gold and currency. Now, there are not so many messages sent at $4 as there formerly were at $7.85.

Mr. WASHBURN.—The reason of this is very apparent.

Mr. ORTON.—It is very apparent to me.

Mr. WASHBURN.—The railroad has greatly decreased the time of mail communications between San Francisco and the East.

MR. ORTON.—I think that has very little to do with it. The trouble is, that business on the Pacific Coast is now very stagnant. They are going through a transition state, without knowing what is the matter with them. Telegraphic business should have been increased by the building of the Pacific Railway.

The fact is, the telegraph lives upon commerce. It is the nervous system of the commercial system. If you will sit down with me at my office for twenty minutes, I will show you what the condition of business is at any given time in any locality in the United States. After three years of careful study of the matter, I am ready to appeal to the telegraph receipts as a criterion under all circumstances.

This last year the grain business in the West has been very dull; as a consequence, the receipts from telegrams from that section, have fallen off twenty-five per cent. Business in the South has been gaining a little month by month, for the last year or so; and now, the telegraphic receipts from that quarter give stronger indications of returning prosperity than at any previous time since the war.

There is another statement that I desire to make, in reply to the challenge of the chairman concerning the cost of the telegraph lines. In the report of the Western Union Telegraph Company, to which Mr. Washburn refers in his speech, I was not discussing the subject of cost as a matter of any particular consequence, but rather to give information to my stockholders as to what had been done by the telegraph in Great Britain.

I stated that it was in evidence by Mr. Scudamore, who has been working up this subject in England, that the lines in England cost a certain sum per mile.

Well, now, see how easy it is for a man to be mistaken in a matter which he knows nothing about, and to forget one day what he said the day before. The chairman, I infer, has addressed a letter to Mr. Scudamore, to which the latter replied, "I am at a loss to understand how I can have been quoted as authority for the statement that a mile of English telegraph costs £143 15s."

I will now refer you to what he does say: I hold in my hand the parliamentary blue-book on the subject of the telegraph. I refer to the testimony of Mr. Scudamore, on page 149; he says, "I find that the [telegraph] companies have expended in construction somewhere about £2,200,000 or £2,300,000—I am not quite certain of the amount. I think it is probable that I am within the mark rather than over it."

On page 150 he states that the number of miles of line in operation was 16,000.

What I desired to show was, the average cost of telegraph lines. I simply took what Mr. Scudamore, under oath, declared that they cost in the aggregate, and divided that sum by the number of miles as set forth in Mr. Scudamore's statement. I am myself responsible for the arithmetical part of the calculation. As to the matter of fact—the aggregate cost and the total number of miles—I am not; I take those statements from Mr. Scudamore, and he is responsible

for them. I shall therefore leave him to reconcile the discrepancies in his testimony before the parliamentary committee, and the statements in the letter to General Washburn, in whatever manner is most agreeable to himself.

Having impeached Mr. Sauer, it is perhaps not fair for me to cite him as authority ; but we will at least see what he has to say about it. On page 140 of his book he states that the expenditure, computed per mile, stands as follows:

Per mile of line.....$737.78
Per mile of wire..... 154.21

MR. WASHBURN.—Does not Mr. Sauer state that this expenditure is largely made up of preliminary expenses and other matters outside of the actual cost of constructing a telegraph line?

MR. ORTON.—I am disposed to be entirely frank with the committee ; I must say, I have had too much to do to read through a great many of this kind of books.

MR. WASHBURN.—State what the cost of constructing telegraph lines actually is?

MR. ORTON.—I should as soon undertake to state the cost of building houses. You might as well ask me what the houses in Washington cost.

MR. WASHBURN.—Do you have your lines of telegraph built by contract?

MR. ORTON.—No, sir.

MR. WASHBURN.—What is the average cost for a line of one wire?

MR. ORTON.—Where we have been building recently, the cost has been about $150 a mile. That is out west.

MR. LAWRENCE.—Out on the plains and prairies, where timber is scarce and few facilities for transportation?

MR. ORTON.—No, sir: in Illinois, Iowa, etc. ; and where the railroads haul the poles for us without charge.

MR. WASHBURN.—That is not according to your former statement of the amount that had been expended for new lines.

MR. ORTON.—You will see again how an ounce of fact will sweeten a great deal of theory. Probably for every mile of telegraph built by us, a mile is built at the cost of the railway company. For every mile of poles put up, there are two miles of wire put up on the existing poles. These are advantages, and very important ones, which would not be possessed by the government, should it enter upon the work of constructing and operating telegraph lines. Take the insulator we now use, not the best kind, perhaps, but the cheapest in the long run, and ordinary number eight wire, and the expense for wires and insulators will be about $50 per mile. But there is a good deal of expense that does not appear in that. A corporation starting anew and building its line before commencing to do business, would have all the expense of superintendence and executive control, in addition to the actual cost of putting up the poles and wires—expenses not necessary with an already organized company. As I have said before, I have not devoted any particular attention to the subject of cost, and in the report to which reference has been made I was not attempting to show the cost of constructing the telegraph lines, but simply to institute comparisons with reference to the value of our property—a subject upon which I have been much inquired of by our stockholders. I supposed then that there was no occasion to consider the value of our property, so far as our government was concerned, for the reason that no proposition to buy the lines had at that time been submitted. The year preceding I had been combating the scheme then pending for the construction of telegraph lines by the government.

MR. WASHBURN.—The idea before this committee is, that the government should buy existing lines ; consequently it is a matter of some importance for the committee and for Congress to know how large an expenditure the government would have to incur should it decide to carry out that project.

MR. ORTON.—In that connection I will say that, while we have accepted the provisions of the law of 1866 ; and therefore are estopped from making any objection to the purchase of the lines by the government—further than such criticisms as every citizen has a right to make—we do not propose to be a party to a sale of our lines upon a basis which estimates the value of our property simply by so many thousand poles, and so many tons of wire. I do not admit that the cost of our lines or the value of our property is a proper subject of investigation by this committee. Whenever Congress decides to purchase, we are entitled to select half the jury which is to decide the question of value. When that time arrives we shall claim that all our facilities, contracts, and franchises, as well as our poles, wire, and apparatus, shall be treated as property, and valued with reference to their united capacity to earn money. The question of cost need not be raised at all. If you were going to buy us out on the basis of so many miles of poles and of wire, would you give no higher price for a line doing a large business, and making a heavy profit, than for another working at a loss, and bankrupting its owners?

Mr. WASHBURN here read a letter from Mr. Scudamore to himself, as follows:

Registered No. ———

In any further correspondence on this subject, the above number should be quoted.

Telegraphs.

"GENERAL POST-OFFICE, LONDON,
19 April, 1870.

"DEAR SIR: I have to acknowledge the receipt of your letter of the 28th of February, and to express my regret that great pressure of business has prevented me from sooner replying to it.

"The cable dispatch, which you inclosed in your letter, is nothing else than a series of malicious exaggerations, with the very slightest groundwork of truth in them, strung together for the purpose of damaging your scheme. I do not for one instant pretend that we have not had blunders, or that we have not had delays, or that the blunders and delays have not given rise to complaints. But I say, without the slightest fear of contradiction, that these blunders and delays were unavoidable and inseparable from a work so large and so complicated as that which we undertook; and I say also that we have overcome the greater part of our difficulties, and that, though we have still room for improvement, we are even now doing the work better than it was ever done before.

"I send you a schedule showing the number of messages forwarded by us in every week since we began. You will perceive that it has risen steadily from 127,000 in the week ending 12th of February, to 169,000 in the week ending 9th of April.* It is impossible for me to give you a more striking proof that we have the confidence of the public. Telegrams would not pour in upon us, in daily increasing numbers, if we continued to transmit them tardily or inaccurately.

"We are now forwarding nearly thirty thousand messages per diem and the complaints which we receive daily average 35. This number includes the cases in which on inquiry we turn out not to be in fault, and though our traffic increases steadily from week to week the number of complaints does not increase.

"I do not pretend that we have not yet much to do to make our system what I mean it to be, but I am certain that before this year closes it will give entire satisfaction, and that not one of the expectations that I have from time to time held out will have failed to be realized.

"I am, dear sir, your obedient servant,
"FRANK IVES SCUDAMORE.
"The Hon. C. C. WASHBURN, etc., etc.,
Washington."

Mr. ORTON.—I have one word to say in reference to that. It is a rule concerning the credibility of evidence, that the testimony of several disinterested parties is to be received against that of one intensely interested even if of equal credibility. The extracts referred to were from the leading English journals of the day; I submit the opinion of people of credibility, as expressed through their representative journals against that of Mr. Scudamore with not only the success of his scheme but a baronetcy at stake.

Mr. WASHBURN.—Do you find such complaints in the journals NOW?

Mr. ORTON.—I think not so generally, although complaints are constantly being made.

WASHINGTON, D. C., *May 11th*, 1870.

Mr. ORTON appeared and resumed his statement, as follows:

At the adjournment this morning, Judge Lawrence repeated an inquiry which he put to me the other day, as to my opinion concerning the authority of the Government to establish the rates at which our company, for instance, should be required, to perform telegraphic service through the States; and I said I would answer that question, at least so far as my own opinion is concerned. Now, there are two points involved in that question First, the power of the Government; and secondly, the extent to which it may be rightfully exercised. Of course, it is not necessary that I shall submit to this committee a dissertation upon the power of the Government of the United States, after the exhibitions of its power, which we have witnessed during the last ten years. But it certainly will not be improper for me to say that we have gone already a long distance away from what was understood to be the limitations of its power by its founders. And I think we have practically nullified that provision of the Constitution which declares that the powers not expressly conferred by that instrument upon the Federal Government, have been reserved to the States. I am not criticising the fact; I am merely stating what I believe to be the fact, and, to a certain extent at least, I acquiesce, in the presence of what appears to

* The telegraph traffic in February is always less, in all northern countries, than any other month in the year, and increases regularly every week until July. Mr. Scudamore's statistics, therefore, which show that there was an increase in the number of messages transmitted from 127,000, in the week ending February 12th, to 169,000, in the week ending April 9th—being an increase of 42,000 or 33 per cent—is only what would ordinarily be expected. Our own statistics for the same period for messages transmitted upon lines situated relatively in the same latitude exhibit nearly the same results. In the eastern division of the Western Union Company—embracing the territory north of the Potomac and east of the Ohio rivers—the number of messages transmitted in February was 279,751, and in April 369,883, showing an increase of 90,132, or 32 per cent, being about the same as the increase for the corresponding time in the United Kingdom. Taking the number of messages transmitted in April as a guide, the number of messages transmitted per annum in Great Britain and Ireland would be 8,788,000, which, for a population of 30,000,000, would be 1 message to each 3.4 inhabitants. The number of messages transmitted per annum in the States comprised in the Eastern Division of the Western Union Company, taking the month of April as a guide, would be 4,438,596, which, for a population of 10,000,000, would be 1 message to each 2.2 inhabitants. It should be borne in mind, however, that while the English statistics show the entire traffic of all the telegraphs in the United Kingdom our returns show only the business of a single company, there being no less than seven competing companies operating lines in the same territory.

have been an overwhelming necessity, in that result. And belonging, as I do, and have done since its organization, to the political party which is now in the ascendancy, I may, perhaps, speak by way of criticism upon this subject with more freedom, and with a larger toleration than would be permitted to a representative of the party of my friend Mr. Beck.

It is my opinion that the time has come when it is the duty of our statesmen, our public men, to very carefully consider, not what the power of the Government is, but how far that power may be rightfully exercised. I hold in my hand a copy of *Putnam's Monthly Magazine*, for the month of May, 1870, which contains an article entitled, "Political Degeneracy." I know nothing of its authorship—and there are sentiments in it not in accordance with my own views; nevertheless, there are a few suggestions which seem to me to be pertinent. Here is one:

"Is there, in truth, in the whole range of philosophic discussion any question so vital and momentous as that which relates to the proper objects of the political function. That question we hope to consider with some degree of minuteness and philosophic precision hereafter; but at present we have only space for a few suggestions. Two points are evident. First—That it cannot be an object of the State to accomplish purposes which individuals may achieve for themselves; for in that case its interference would be impertinent and useless. Nor, secondly, can it be an object of the state to annihilate the agency of individuals altogether, in which case it would be worse than despotic—it would be destructive; destructive of society, which is composed of individuals, and destructive of itself as an agent of society. Again, consider for a moment what the mysterious entity which we call the State practically is. It is the whole force of a nation organized into an ultimate and paramount authority. It dominates every individual, and its decisions in regard to him are final. What avail for an individual to resist its decrees? It can crush him as Behemoth crushes the spires of the grass. Laying hold of the individual as soon as he is born, the State claims some sort of jurisdiction over him to the end of his days."

Now, as to the power of the Government of the United States in the premises, and if it has the power—and a great many good people think it has recently been exercising it to so reform the judicial department of the Government as to secure a predetermined decision upon an important public question—whenever it shall determine to enforce and compel the performance, by its citizens, of a specific service, on terms fixed by itself, if it have the will, in my judgment, it will undoubtedly find the way. But the telegraph to-day is a purely private business. The Federal Government has no official knowledge of its exitsence except in so far as it has a few times conferred authority to construct lines through the territories, contributing in some small degree to that construction, and, more recently, holding out an inducement to the telegraph lines to make a stipulation which would enable the Government at some future time to acquire the lines of the assenting parties to those stipulations, without raising any such question as we are now considering.

I claim, therefore, that you have no more right to prescribe a rate at which we shall operate the telegraph for the public than you have to fix the price at which certain kinds of merchandise whether produced in the States or imported into the States, shall be sold; the principle on which any such right would be exercised would be the same in both cases; that it is an invasion of the private right; that it is not an exercise of any function conferred upon the General Government by the States, and was not originally contemplated, in my judgment, by the founders of the Government. The only private business that was contemplated to be taken in hand by the general Government at the outset was the postal service. It is true that the Government has since legislated in respect of, and has in a measure been connected with the business of banking; but only to the extent of performing that function of the Government which, by the Constitution, it was clearly authorized to perform. And we must of course assent to this view of the case, because that was the decision in the famous United States Bank case—that whenever it was clear that the Constitution conferred upon the Government the right to perform a certain function, Congress might be, and Congress would be the judge of the process by which the function should be performed; and that if it chose to perform it by incorporating a national bank or national banks, and performing the function through that agency, it had undoubtedly the right to do so.

From these remarks you will understand that I distinctly deny the right of the Government to require us to perform any service within the States at a rate of compensation to be fixed by Congress. Telegraph companies have been created by State laws, and are being operated under their permission. There is no more authority for fixing the price of a telegraph message over the lines of these companies than for declaring what shall be the freight by rail on a barrel of flour from St. Louis to New York, or the price of a bushel of wheat at Chicago. My theory of our Government is that it is a protecting power, and not, as appears to be the desire of some to make it, an aggressive enterprise.

Mr. BECK—What did you mean to-day when you said you consented to the act of 1866?

Mr. ORTON—I will explain not only my statement, but give the reasons for our acceptance:

It is known to you all that, during the rebellion, all the telegraph lines within the territory of the Confederacy were taken possession of under the

authority of the Confederate Government, and operated by it. As fast as they came into the possession of our Government, they were operated by the War Department until about the spring of 1866, when they were turned over to their original owners. The lines upon the Southern railways, with which arrangements had originally been made, required a good deal of reconstruction. These roads were in the hands, in many cases, of new parties, who ignored their former relations, whether of contract oral or written, and we were very seriously interfered with and embarrassed. We were ordered to vacate the routes of some railways along which our lines were constructed; interference was threatened, and it is my impression that in some cases our lines were cut down. You will remember that under the military laws enacted with reference to the control of the Southern States after the rebellion, there was a provision, making it the duty of military commanders to enforce the laws of Congress. In 1866 Congress passed a bill conferring upon the telegraph companies which would assent to its terms the right to build, maintain and operate telegraph lines over all the post roads in the United States, and everywhere across the public domain. The Western Union Telegraph Company accepted the terms of this bill, the principal reason for which, was, that it would enable us at once to claim the protection of the military in the Southern States against any interference with our lines. It raised no question as to the right of Congress to give us authority to build on those railways. The military commander was not obliged to go to Court for a determination of the constitutionality of the law. It was his duty to enforce the law of Congress; and as this law stated that we had the right to be there it was his business to protect us in that right. That was one reason The other was simply this: It was clear to me at that time that this subject which we are now considering was to be agitated for some time to come. No one was more conscious than I of the great defects that then existed in the telegraph system in the United States, but I believed that if we could have five years of uninterrupted control of the business we could produce a telegraph system and a service so satisfactory to the public that thereafter there would be no demand from any quarter for intervention by the Government. And I expected, when we accepted the provisions of that bill, that we were to be let alone during the period of five years. I am glad my attention has been called to this point otherwise I might have forgotten it. Within less than two years thereafter a bill was introduced proposing to construct lines by the Government; from that day to this my attention has been very largely distracted from the work of developing the telegraph system in the United States, by the necessity which has been created for meeting charges gainst the service, and attending the discussion of this subject; and the five years will expire about a year hence—in 1871. The agitation of the subject in Congress has prevented us from deriving an important advantage which we anticipated; but, having accepted the provisions of that bill, we are estopped, as I have said before to-day, from objecting to the purchase.

Mr. LAWRENCE—You say that the National Government ought not to interfere in your private business, so as to compel you to transmit messages at a price to be fixed by the Government?

Mr. ORTON—Yes, sir.

Mr. LAWRENCE—The question whether they ought to do so or not, as a matter of justice, is one thing; but you say further that the Government cannot step in and compel you to transmit messages at a price to be fixed by the Government.

Mr. ORTON—Cannot rightfully, I say.

Mr. WASHBURN—That is, that it would have no legal or constitutional right?

Mr. ORTON—Yes, sir; that is what I mean.

Mr. LAWRENCE—Do you mean to say that if you continue to operate your lines that Congress has no constitutional power to fix the rate at which you shall transmit messages? Now, I will state the reason why I ask that question. It is urged that Congress ought to buy up all the telegraph lines in the country and operate them, in order to give cheaper telegraphic service to the people. The question whether that is the only mode of getting cheaper telegraph service at once arises; because, if Congress has the constitutional power to fix the price of transmitting messages, then the only question remaining is whether it is expedient to exercise that power. And further, if you deny that Congress has the power to fix prices, do you mean also to say that the States have no power to fix the price for transmitting messages within the States? If the States have the power, of course Congress cannot have it as between the States; but if Congress has the power, it can exercise it not only to reduce your charges, but to protect you against unjust reduction by the States. It is a power that can be used both ways—as well for your protection as to your injury.

Mr. ORTON—I am glad to have these points raised. They are very important, and all of them have received from me some consideration. Possibly it may be competent for the States, when conferring privileges upon telegraph companies, either created under their own laws, or doing business under their permission, to fix a limitation of charges. But it seems to me very clear that when the State has exercised its authority, and has granted that permission, that then it has lost the right to fix limitations Now, there are

two divisions of this service to be considered in connection with the question which you raise: the rights of the States concerning business done within their own territory, and the rights of the Federal Government in respect of that other portion of the business which is done between the States. Whether Congress would have any more right to fix the rates for business done between one State and another than it would have to fix the rates for business done within the State which had authorized the doing of such business without any limitation, is a question that admits of some discussion on both sides, and especially on the side of the view which you have originally presented, inclining towards the right of Congress to interfere in the premises. But there need be no difficulty about the matter at all. Certainly the company that I represent—and I have no doubt the same would be true of every other company—would be very glad to accept the provisions of a proper law, precisely as all have accepted the provisions of the law of 1866, by which we should be estopped from raising any objection—indeed by which we shall voluntarily surrender the control of rates to the Government in consideration of its protection and such contributions towards the efficiency of the service as it can give without any expense. In this connection, permit me to read the concluding remarks of my argument before the Senate Committee, which strike me as pertinent to this case:

"You desire to have the present rates for telegraphing reduced. So do I. You do not desire to accomplish this result at the expense of the Treasury. Nor do I. Yet, in order that both these may be accomplished, it will be necessary to materially reduce the expenses of conducting the business. Now, it takes the profits upon about $1,000,000, equal to about one-seventh of our gross receipts, to pay our taxes—Federal, State, municipal, &c.—a burden nowhere imposed on the business under Government control. Relieve us from this, and we can make an average reduction of one-seventh of our present rates. If you have power to give free right of way along railways in all the States to Mr. Hubbard's company, you can give it to mine. Do this, and we should be enabled to reduce another seventh without interfering with present profits. Then let Congress provide for a commission to ascertain and fix the cash value of our property and franchises, on which sum we shall be entitled to earn and divide annually to our stockholders ten per cent. We will then surrender to the Post-office Department the right we now possess to fix and modify tariff rates, so that as fast as the actual profits exceed ten per cent., the surplus may be applied to the reduction of rates in such manner as the Post-office Department shall direct. If the rates proposed by Mr. Hubbard can ever make the business self-supporting, they will ultimately be reached by this plan, under which all the facilities the Government can supply can be availed of to the fullest extent, but without incurring any expense or assuming any responsibility."

Mr. WASHBURN—What do you mean by the "cash value" of your property?

Mr. ORTON—I mean the value to be ascertained precisely on the basis we were discussing—not merely the cost of so many poles and so many miles of wire, but what this property is worth in its present condition, as a means for conducting a business.

Mr. WASHBURN—As a means for earning money?

Mr. ORTON—Yes, sir; for making fair, legitimate, reasonable profits.

Mr. WASHBURN—That is, if it earns you profits on fifty millions, and the government will guarantee you ten per cent. on fifty millions you are satisfied? On that principle?

Mr. ORTON—Yes, sir; but why make your supposition so extravagant and impossible? why not come down to the domain of probabilities?

Mr. WASHBURN—Call it forty millions, then, which is about the amount of your stock; if it earns ten per cent. dividends on that sum you would be satisfied if the Government would guarantee you that?

Mr. ORTON—Let me state, in this connection, that one or two years ago Mr. Hubbard, who has certainly no interest in misrepresenting our side of the case in our favor, went into a careful ascertainment of the cash value of our property, and in his argument before the Post-office Committee of the House demonstrated to his own satisfaction, by several pages of statistics, that it was not worth over sixteen millions of dollars. I did not discuss that subject with the Committee. I simply stated that he had proved too much for his case. The capital of our Company is forty millions. We have tried hard to pay for the last three years four per cent. a year on it; missed it once, one semi-annual dividend having been passed, and another one, on the 1st of July coming, will be. Now, four per cent. upon forty millions, you will see, is exactly ten per cent. upon sixteen millions. And I undertake to say that the stock of no corporation in the United States can be placed at par unless every man who takes it believes sincerely that he is going to get ten per cent. from it. Because you can go out all through the West, and buy first-class railway mortgages, based on half the cost of the road to build through a rapidly developing country, that will pay 12 to 14 per cent.—averaging the difference between the par value and the present price, and adding it to the current rate of interest. Therefore, when you have proven that the Western Union property is not worth but sixteen millions of dollars we answer, that we are paying our stockholders only ten per cent. upon sixteen millions. We have earned, it is true, more profits than that. But what have we done with those profits? We have put them into extensions of existing lines, and to increasing the facilities of pre-existing lines,

in order that we might do the increased volume of business rendered necessary by the reduction of tolls, in order to give us the same amount of revenue as before. And now having expended three millions of dollars in construction and reconstruction—after putting that amount in clean cash within three and a half years upon our property—we are in receipt of less profits than we were before. I claim, in view of such a fact, that the surplus profit above that which we have divided, is not to be taken into the account. Is it not far better for the government and the public that we assess this tax, if you so please to call it, requisite to increase and provide proper telegraphic facilities for the people of the United States, directly upon those interested in the business, than to impose it upon the whole people, including the large majority who are not interested in it?

Mr. LAWRENCE—Would you be willing that Congress should pass a law saying that the Secretary of the Interior should fix a rate for transmitting messages at a price which would yield to your company a sufficient sum to make $1,600,000 of dividends, and to keep your lines in repair, and no greater amount?

Mr. ORTON—I should not be willing to make that stipulation.

Mr. LAWRENCE—That would give you ten per cent.

Mr. ORTON—Yes, sir; upon Mr. Hubbard's estimate of the value of our property.

Mr. LAWRENCE—That is your own estimate.

Mr. ORTON—No sir; I simply took Mr. Hubbard's estimate, and turned it against himself, to show that, assuming it to be true, we were giving our stockholders no more than they were entitled to.

Mr. WASHBURN—I understand you to say that you are earning ten per cent. on sixteen millions?

Mr. ORTON—No; I said that we had tried to divide it; but we have passed one semi-annual dividend, and shall probably pass another.

Mr. WASHBURN—How much could you have divided, and kept your lines in repair, without extensions?

Mr. ORTON—The answer to that question, you will see in a moment, involves several considerations. If we had not extended our lines, the effect of competition over that portion of the territory where we have active competition would undoubtedly have hampered our operations very much more than is apparent, in view of the fact that we have built more new lines every year than the opposition has built. We have been compensating for the loss by reduction of rates and division of business with our competitors, by the extension of our lines into a section of country where the opposition does not come. Therefore, if we had not extended any, what the result would have been it is not easy to predict. If you ask what would have been the result if there had been no competition, and we had made no extensions, I should say that we could have divided about five per cent. upon the forty millions—possibly a little more.

Mr. WASHBURN—What proportion of the lines are owned and controlled by your company in the United States?

Mr. ORTON—I should say 90 per cent., approximately.

Mr. WASHBURN—I think I understood from you in a remark the other day, that most of these opposition companies are not earning money; that some of them were on their last legs, and must either go out of sight or be absorbed by your company.

Mr. ORTON—There is no sort of doubt but what every so-called opposition line in the United States is losing money—some of them more than others.

Mr. WASHBURN—And sooner or later will be wound up?

Mr. ORTON—As to what the result will ultimately be, it is, and it is not, difficult to predict. When those companies have planted a pole by the side of every one of ours, and have duplicated every wire of ours thereon, and have opened a station by the side of ours in every place where we have one now, we are are then in precisely this situation: they have more than multiplied the expense of doing the business by two, and if we assume that they get half of it, have divided the receipts by two. There is no business in the world that can stand that test. Now, somebody has got to break.

Mr. WASHBURN—You have no idea that these companies are going on to multiply lines alongside of yours to the extent you name.

Mr. ORTON—No; but they are going to add more to them.

Mr. WASHBURN—That is, between profitable and important points?

Mr. ORTON—There is a great deal of error on this subject of profitable points. Unprofitable points are just as necessary to telegraph companies as profitable points are.

Mr. DAVIS—But these opposition lines are built mostly between what are called profitable points?

Mr. ORTON—Yes, sir; entirely between what are so considered.

Mr. WASHBURN—I inferred that these opposition lines must go, sooner or later, to the wall.

Mr. ORTON—If that is true, doesn't it prove too much? The tendency of these competing lines is to reduce the rates, and increase the expenses unnecessarily. There is no doubt of that. But that is a private loss: that does not concern the Government; and so long as the public derive the advantage of the lower rate which competition gives,

it seems to me that there is nobody to complain except the unfortunate stockholders.

Mr. WASHBURN—That is all true; but if, eventually, this is to be the result, that you are to absorb all the lines, and that these other lines must give up as competing lines, the telegraph will be practically in your hands; and I understand you to say that there is no earthly power that can interfere with your right to charge what you please. When you shall control all the telegraph lines you may charge five dollars for a message to New York from here, as well as twenty-five cents, if it should suit you to do so.

Mr. ORTON—I think you add a good deal of unnecessary emphasis to the statement I made. I do not wish to be understood as saying that there is no earthly power to control us; on the contrary, I distinctly admitted that the *power* was there, but I claimed that Congress had no right to exercise it as things now stood. Well, sir, suppose, for the purpose of the argument, that I had made the statement, in the broadest possible form, and then let me ask you, what of it? What power have you over the railway? You pay two dollars for a hard bed to sleep on from Washington to New York, in addition to eight dollars fare, but a competing railway cannot be established between these points unless the authority to provide it is vested here. Now, then, the moment the Western Union, or any other telegraph company, should undertake to pursue the policy suggested by your remark, a few thousand dollars would build a new line between New York and Washington, and, like the gimlet hole in the hogshead, tap the business, and compel us to come to the lowest rates fixed by that little concern. There is no business in the United States so secure, so far as the public is concerned, against oppressive exactions, as that of the telegraph—because it is so easy to provide competition against it; and that competition will come just as soon as unreasonable profits are being earned.

Mr. WASHBURN—Wouldn't the effect be that the moment that competition was put on, that you would put the prices down on that particular line and crush it out?

Mr. ORTON—I am very much obliged to you for asking that question, because it gives me the opportunity to say that the Western Union Company has never reduced its rates upon a competitor. I ask you to accept that declaration as a fact, and to give us all due credit for it. The Western Union Company has simply attended to its own legitimate business, but when its competitors have attacked its rates we have not always permitted them to fix them for us. When they cut the rates on us we do not always accept them. But the facts are precisely as I state them to you.

Mr. WASHBURN—When an opposition is started and does not cut under your rates you do not cut under theirs?

Mr. ORTON—No, sir: we have never done it since my connection with the business.

Mr. WASHBURN—But as they are pretty sure to cut under you, in order to get business at all, you feel at liberty to follow up their example?

Mr. ORTON—Certainly. I consider that we are perfectly justified in doing so. I should state, however, in this connection, that the United States Telegraph Company, with which I was connected when I first went into the business, had an understanding with the other companies—a number of them at that time—by which they would not reduce their rates; and moreover, a year or two before my connection with the business the telegraph rates were actually advanced, by the common consent of all the parties, and there was no competition as to rates in doing business.

Mr. WASHBURN—That was by a combination among lines occupying different territory.

Mr. ORTON—It was a combination among the lines since absorbed in the Western Union Company. There was the American Company to New Orleans, and the Southwestern, with headquarters at Louisville; the Western Union Company, north of the Potomac and the Ohio, to the west; and the United States Telegraph Company, which had lines in the territories occupied by both the Western Union and American Companies, and was a competitor with them both, covering an extent of country rather larger than is now covered by the opposition lines.

Now, let me speak of the question of taxes. I hold in my hand a paper containing an extract from the tax laws of the State of Mississippi, approved February, 1867; and I produce this as an illustration of the class of taxes we are obliged to pay. Chapter 3, sec. 1, is as follows:

"On all telegraph companies two per cent. on the gross receipts, to be collected in any county where an office is located."

"Section 5. Be it further enacted, That all the subjects of taxation in this act mentioned shall be lawfully imposed by the boards of police, in addition to the taxes imposed by this act; and said county taxes shall be collected and enforced in the same manner as the State taxes are enforced and collected by law."

Under this act, Warren County, Mississippi, collects 2 per cent. for county taxes, and 2½ per cent. for special tax on gross receipts. The county and school tax is regulated by the board of police of each county. In addition to these the city of Corinth, Miss., imposes a license tax of $25 per annum, and many other places tax us just as heavily. We returned for Warren County, as for all the counties, only the receipts for business done within the State, claiming that was all they had a right to tax-

Some of the counties assented to our claim in that regard, but a majority of them refused it. Warren County happens to be one that took our own view, and taxed us, in 1868, upon the gross receipts in that county, as follows: State tax, 2 per cent., $44.74; county tax, 2 per cent., $44.74; special tax, 2 per cent., $44.74; school tax, 2 per cent., $44.74, and Probate Judge's salary tax, $5.36, making a tax of $184.32 upon receipts for business done within the State, of $2,237. If the taxes in that county had been imposed upon the gross receipts for business done throughout the country, as some of the other counties have done, our tax in that one county would have been over $1,300.

I submit, Mr. Chairman, whether our turn has not come, and whether we should not be entitled to be treated as having some rights which Congress is bound to respect, and which it should compel the States to respect; and I submit whether, in the face of such facts as these—and I could go on and enlarge upon them, showing a license tax as high as $1,000—whether we are not entitled to some consideration.

Mr. WASHBURN—Why don't you shut up your offices where they act in that way?

Mr. ORTON—Because we should read in the next morning's *Herald* that a large delegation of indignant citizens of that county were on their way to Mr. Washburn's committee at Washington, to urge upon it the necessity of the Government's taking charge of the telegraph. We have submitted to a good deal of this thing for the sake of peace.

Mr. WASHBURN—I should tell them that, while I agreed with that view of the matter, before they could talk to me they must learn to deal fairly with the telegraph companies.

Mr. BECK—These taxes were not imposed by any State legislature; they were imposed by the members of the convention held under your reconstruction acts, under the pretence that they had a right to impose taxes to pay their own expenses as a Convention. That was not done by any legislature in any State. The action of that convention was perfectly frightful in regard to the exactions they imposed and the stealages they perpetrated.

Mr. ORTON—But you will allow me to say that the State of Mississippi is no exception in this regard. South Carolina slaps on by one act five per cent., and we pay three per cent. into the Federal treasury. But this illustration is valuable in another point of view. It illustrates the growing tendency at this moment in this direction, which is reaching into other States. We have a very onerous tax in the State of Massachusetts, amounting to somewhere about $6,000 a year. Ohio has also imposed a very severe tax.

Now, I have made this proposition: I have explained to you that it takes the profits of a million dollars of our gross receipts to pay our taxes—a burden not imposed upon the telegraph in any other country in the world. If you have any power to remedy whatever abuses may exist in respect to the telegraph, have you not the power to relieve us from these unreasonable and unjust exactions? Of course I do not claim that you can stop the taxation on property estimated at its true value in the State. It would be necessary for us to take our chances, and prove the value of our poles and wire. And so it would be with you, sir, as representing the Government within the States. Unless the State shall cede property to you, and with the cession of jurisdiction shall relinquish its right to tax, you are liable to precisely the same taxation on that Federal property within the States as if it was owned by an individual.

Mr. WASHBURN—You say you are taxed pretty high in Ohio?

Mr. ORTON—Yes, sir, pretty high.

Mr. LAWRENCE—Our taxes are enormously high.

Mr. WASHBURN—Who is the superintendent of that division?

Mr. ORTON—The headquarters of the Western division is at Chicago. General Stager is the superintendent.

Mr. WASHBURN—He is a reliable man?

Mr. ORTON—Yes, sir, we think him so.

Mr. WASHBURN—I have a statement before me, which purports to declare that General Stager made a declaration, under oath, to the Commissioner of Telegraphs for Ohio, of the value of lines in that State for 1868, which makes the value $35 a mile of wire, not including branches.

Mr. ORTON—If you will reflect, you will see there is nothing out of the way in that. The taxation is by the State upon property estimated according to a custom existing there, which has all the sanctity of law. That custom is to estimate property at what it could be sold for, for instance, by the sheriff. Now then a telegraph line—and I speak from experience, for we have been the largest dealers in second hand telegraphs in the country—is a pretty poor piece of property to be sold by the sheriff. *Prima facie* it is good for nothing as a telegraph. It becomes simply a question of how much a certain quantity of wire would be worth to take down and dispose of.

Mr. LAWRENCE—The language of the statute of Ohio is "its true value in money;" and the instructions of the State Auditor, printed on the Assessor's returns, state that the test is, not what it would sell for at a forced sale when there was no demand for it, but what is its fair, honest, market value.

Mr. DAVIS—Don't they, after all, assess it at half its value?

Mr. LAWRENCE—No, sir, I think not.

Mr. DAVIS—In New York the law requires the estimate to be at the price at which the assessors estimate the property received from a solvent debtor in payment of a debt. The idea is the same, but the property is not assessed above one third of its value in New York.

Mr. ORTON—I now ask the attention of the committee to a few considerations which I desire to submit, tending to show why Congress ought not to pass this or any similar bill. And I submit, first, that whenever the Government undertakes to provide anything for the comfort or convenience of the people at a lower rate than private enterprise previously provided it, it cannot be justified in thus entering the domain of private business except on these conditions: Firstly, that it is essential; secondly, that it is not properly provided; and thirdly, that it concerns the largest number of people. Does this proposition come within either of these conditions? I claim that it is not demanded by the people. I do not understand that any petition has been presented to this House; that any organization of merchants or other citizens from any part of the country have come here, either to allege a grievance against the Western Union Company, to demand redress, or to ask the intervention of the Government so as to produce a better and a cheaper service.

Mr. WASHBURN—There are several memorials from States here.

Mr. ORTON—If you will permit me to see the memorials I think I can undertake to expose to you the little machinery that made them. I happen to know, concerning two of them, that they were drawn in this city, and I know who sent them to the legislatures, and what appliances put them through. I do not consider that memorials which come back here on the rebound are entitled to a very great deal of weight.

Mr. WASHBURN—You do not mean to intimate that those memorials went out by any instigation or influence of mine?

Mr. ORTON—I am exceedingly glad to have an opportunity to more fully explain myself, and say that I do not mean to intimate anything of the kind; I hadn't you in my mind at all.

Mr. WASHBURN—I simply want to state that I have made use of no such machinery.

Mr. ORTON—If these propositions are reasonable, and entitled to consideration, then this bill ought not to pass; first, for the reason that it concerns but a small portion of the people directly, and the people whom it most concerns would be the last, in my judgment, to favor its adoption. I entertain no doubt that the business men in the principal cities most concerned in the operation of the telegraph, if they sincerely believed that the Government was about to take the telegraph into its management, would protest most earnestly against it. I, at least, have been so assured.

Mr. WASHBURN—For what reason?

Mr. ORTON—For the reason that they do not believe (as I do not believe) that the Government can administer such a business with that efficiency, energy and flexibility as is essential to provide what commerce demands of it.

Mr. WASHBURN—But if they believed that the Government could manage it as well as it was managed by private individuals, and would reduce the rates very largely, they would be in favor of it; would they not?

Mr. ORTON—Before I answer your question, affirmatively or negatively, I want to raise this point. If you will select any portion of the community that is subject to a specific tax, and propose to them to diminish that tax to them by imposing it upon somebody else, I have no doubt but what they would accept your suggestion. And if it was proposed that the cost of telegraphing to those who pay that charge, was to be materially reduced without any deterioration in the character of the service, I apprehend there would be no sort of objection: I should certainly have none, except so far as the broader question of the policy of the Government might be considered. But what ground is there for claiming that the Government can do the service any cheaper than private enterprise can do it? Has this Government ever done anything any cheaper than private enterprise would have done it? Hasn't it been contemplating, of late, the surrender of some of its business, and turning it over to private enterprise, because it would do it cheaper, and relieve the Government from a great burden?

Mr. WASHBURN—What, for instance?

Mr. ORTON—Navy yards, &c. Take as an illustration the Pennsylvania State Canals. I have it from high officers of that State that those canals, under the management of the State, cost from five to six hundred thousand dollars a year, and came finally so near bankrupting their finances that they sold them. In the hands of the private parties who bought them for a song they have since been the source of considerable profit. It is not necessary to multiply examples. It is not in the nature of things that men who are put into places by other considerations than their fitness for the service that they are required to perform, and whose retention in those places may be procured by other influences than such as relate to the energy and ability with which their duties are executed, will perform the service so satisfactorily as those who have the stimulus of personal profit, gain and advantage.

In this country the people have not been accustomed to rely upon the Government to provide those things for them which they are able to secure by their own exertions. If this principle is right in regard to one enterprise it is also in relation to all others; and if infringed upon in the case of the telegraph companies, what pursuit will be safe from Governmental interference?

Again: There are more people concerned in railway traffic than in the telegraph. There are more people concerned in the price of boots, shoes and clothing, than in the price of telegraphing, and yet there is before the House, every session almost, bills tending to create and affect prices—to advance prices——

Mr. WASHBURN—Why should we not give up the Post-office to private enterprise?

Mr. ORTON—There are a great many reasons why *you will not do it*, but you don't want to hear them.

Mr. WASHBURN—Yes, I do.

Mr. ORTON—Because no set of men, within my observation or knowledge, has ever voluntarily surrendered a source of power and of advantage to themselves. And this leads me to say that the telegraph to-day is wielded in France precisely as Napoleon wields his police, and is one of his arms of power; and it was the height of autocratic policy that prompted provision for his revenues from other sources, and the popularizing of this institution, and the concealment of its uses and abuses in oppressing the French people.

Mr. LAWRENCE—Are the express companies managed better in private hands than under the control of the Government?

Mr. ORTON—Until recently, the express companies on the Pacific coast have been paid 25 cents each for carrying and delivering letters with the postage paid on them, because the public would not trust the mails. They have derived large revenues from carrying letters for people who were willing to pay them 25 cents in addition to the postage—which of course the law compels them to pay.

Mr. WASHBURN—Do you mean between points on the Pacific coast?

Mr. ORTON—It has existed throughout the entire mining region of the Pacific coast. I cannot say to what extent it exists to-day, because my attention has not been called to it for a year or more.

Mr. DAVIS—It exists now to a great extent, even in New York State, as regards valuable letters; because the express company is responsible for their safe delivery, and the government is not.

Mr. ORTON—It seems to me that the passage of this bill would be an interference with the rights of other parties than those merely who own the telegraphic lines. Take, for example, the railroad companies; they have special wires in some cases, and have an interest or a sort of proprietorship in the line in so far as it can be used for the convenience of the railway, and yet all of its revenues from commercial business accrue to the telegraph company. You have the right, under the law of 1866, to purchase our property. How do you propose to acquire the rights of the railway companies in that property in respect of its use for their benefit: and, leaving aside the question of how you propose to do it, when it is done, what substitute, if any, is proposed to take its place?

It strikes me, also, that the following section of the bill before the committee is peculiarly arbitrary. Section 11th provides:

"That any company, corporation or person, who shall transmit, or who shall aid or be concerned in transmitting, any telegram or information in contravention of the terms of this act, or who shall receive, collect or deliver such telegram or information, shall, upon *summary* conviction, be liable to a penalty not exceeding one hundred dollars for every such offence; and where any person so offending is a servant or person hired to do the act complained of, the master or other person employing such servant shall be subject to a like penalty."

That sounds very much like an extract from the French law upon that subject. It really sounds very autocratic and arbitrary.

The passage of this bill would largely increase the burden of taxation without contributing corresponding benefits to the people. The official statistics show that in Europe, during the year 1868—the last year for which complete returns have been published—the Government telegraphs were operated at a loss of over $2,000,000, notwithstanding the tolls received averaged as much per message as those charged in the United States. Now, is it reasonable to suppose that the telegraph can be operated by the Government in this country at one third the rates imposed in Europe, without drawing heavily upon the national treasury? Labor, the principal element of expense in operating telegraphs, costs more than twice as much here, on a gold basis, as in Europe. If it costs sixty-three cents in gold to transmit the average telegram in Europe under the governmental system, is it within the bounds of probability that you can transmit it in this country at a uniform rate of twenty cents in currency?

During the past year the Western Union Company transmitted 8,000,000 messages, at a cost of $3,500,000. I presume it will not be seriously claimed that the Government can do the work more economically than a private company; and yet the receipts for 8,000,000 messages, at twenty cents per message, the rate proposed in this bill, would only amount to $1,600,000, or less than half the cost of the service, to say nothing of the interest on the value of the lines.

Much has been said about the great increase in the number of messages which would ensue from a reduction in the tolls. It is true that a material increase in the traffic would result from a reduction of ninety per cent in the rates; but it must also be borne in mind that a corresponding increase would be required in the facilities for working off this additional business, and that a proportional increase would ensue in the cost of operating the lines and of delivering the messages. Upon this point I have a good deal of accurate and valuable information, obtained from the official reports of European telegraph administrations.

In Switzerland, during the year 1867, in anticipation of the large increase of business by the reduction of the tolls, great additions were made to the lines and wires. At the beginning of 1867 there were 4,098 miles of wire in operation in Switzerand, and on the 1st of January, 1869, there were 6,488 (including 832 miles belonging to the railways), being an increase of 2,340 miles, or 57 per cent. in the number of miles of wire, while the total increase in the number of messages transmitted was but 63 per cent. *And yet it is officially stated, in the report of the working of the Swiss lines, that there was a time, during the summer of* 1868, *when the number of messages was found to exceed the means of transmission.*

In the beginning of 1865 Belgium possessed 4,420 miles of wire, and transmitted 674,037 messages. In 1868 she had 8,072 miles of wire—an increase of 3,652 miles, or 80 per cent., and transmitted 1,502,599 messages—an increase of 828,562, or 110 per cent.

In 1865 Italy had 22,805 miles of wire and transmitted 1,339,721. In 1868 she had 29,326 miles of wire—an increase of 6,521 miles, or 28 per cent., and transmitted 1,578,677 messages—an increase of 238,956, or 18 per cent.

In 1865 France possessed 63,591 miles of wire, and transmitted 2,473,747 messages. In 1868 she had 89,086 miles of wire—an increase of 25,495 miles, or 39 per cent., and transmitted 3,503,185 messages—an increase of 1,029,438, or 41 per cent.

In 1865 Sweden had 5,370 miles of wire and sent 328,464 messages. In 1868 she had 7,560 miles of wire—an increase of 2,181 miles, or 40 per cent., and transmitted 503,062 messages—an increase of 174,598 or 53 per cent.

In 1865 Switzerland had 3,719 miles of wire, and transmitted 649,876 messages. In 1868 she had 6,438 miles of wire—an increase of 2,719 miles, or 73 per cent., and transmitted 1,153,092 messages—an increase of 503,216 or 76 per cent.

In 1865 Holland had 3,517 miles of wire, and transmitted 972,394 messages. In 1868 she had 5,471 miles of wire—an increase of 1,954 miles, or 55 per cent., and transmitted 1,506,802 messages—an increase of 534,408, or 54 per cent.

In Bavaria, in 1865, there were 2,921 miles of wire, upon which were transmitted 490,935 messages. In 1868 there were 4,067 miles of wire—an increase of 1,146 miles, or 39 per cent., upon which were transmitted 709,284 messages—an increase of 218,349, or 44 per cent.

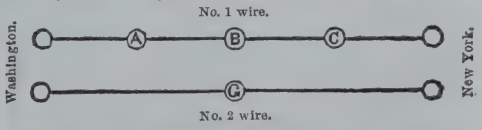
In 1865 Prussia had 25,723 miles of wire, and transmitted 1,527,455 messages. In 1868 she had 48,903 miles of wire—an increase of 23,180 miles, or 93 per cent., and transmitted 3,544,650 messages—an increase of 2,017,195, or 130 per cent.

Thus it appears that in the principal countries in Europe there had been an average increase of 65 per cent. in the number of messages transmitted during the past four years, and an increase of 56 per cent. in the number of miles of wire.

I submit, Mr. Chairman, that these statistics deserve the gravest consideration. If it shall appear that every ten per cent. increase in the number of messages is to require an approximate increase in the number of miles of wire, then we shall begin to comprehend what there is before us, when we undertake to provide for such an amount of traffic as would be necessary to make the system self sustaining at such rates, if indeed, it ever could be done.

Mr. WASHBURN—To what extent are your wires now employed during the business hours of the day?

Mr. ORTON—I will illustrate by a diagram. Suppose New York is represented at one end of this line (illustrating) and Washington at the other



The lines I have drawn between these points represent two lines of wire, numbered 1 and 2. On No. 1 wire there are say three intermediate stations, A. B. C.; on No. 2 but one, G; rendered necessary for the purpose of "testing," *i.e.*, ascertaining where, in the event of the line being interrupted, the difficulty occurred, so that repair men can be sent to restore the line in the shortest possible time. Now you will see that if New York or Washington is communicating with any station on No. 1, that wire is useless for the time being for all other stations, and the operators are waiting there idle. You might visit hundreds of offices and find an idle operator at each; and it would occur to you that that company had better be sending messages at ten cents, even, than to have the operators revolving on their stools, doing nothing. But if you listened you would hear the "click-click" of the instru-

ments on their desks, showing that all the facilities of those offices were being occupied elsewhere.

Thus it is that, through a large portion of the country, hundreds of operators sit waiting their turn, simply because there is not one wire from every one place to every other place. Suppose both wires run into the same stations, and all have an equal opportunity to use either one of those wires; so soon as the volume of business between the two extremes, added to that between the intermediate stations, equals the capacity of the two wires during the hours when their use is demanded, it becomes necessary to put up another; and the same thing occurs again and again, until the business of every intermediate point gets to be of sufficient volume to require a separate wire of its own; and then the operator who works that wire will be using it all the time, and still there will be another operator provided there, and another wire that he will have an occasional chance at. So, again, on way wires, the initial station at one end calls them in order for business until it gets to the end. Then the next one takes its turn and calls; and so on, going around. As soon as the business gets to such a point that there is too much delay in waiting for that, it is necessary to put up another wire. When, by the increase of the number of messages between New York and Chicago, say, the existing wires will not enable us to give messages proper dispatch, it is necessary to put up an additional wire. Now, a wire put up on existing routes from New York to Chicago costs $50,000. The increase in the volume of business, at the rate charged, must be sufficient not only to pay the interest on the investment and the cost of repairs, but for the additional operating expenses.

That the expenses of operating the lines and offices are proportional to the amount of traffic is shown by the official returns:

In 1865 the expenses in Belgium were $189,703, and in 1868, $255,385—being an increase of $68,682 or 37 per cent.

In 1865 the expenses in Bavaria were $114,358, and in 1868, $195,122—being an increase of $80,764, or 70 per cent.

In 1865 the expenses in Holland were $249,643, and in 1868, $351,579—being an increase of $101,936, or 42 per cent.

In 1865 the expenses in Switzerland were $131,546, and in 1868, $211,821—being an increase of $80,275, or 61 per cent.

Thus, the returns show that in Belgium, Bavaria, Holland and Switzerland (the most densely populated and the most favorably situated for cheaply performing a large telegraphic service of any countries in the world), the expenses for operating the lines, in 1868 were 52 per cent. more than they were in 1865, while the number of messages of all kinds transmitted were only increased 52 per cent.

The comparison between the traffic of 1865 and 1868, in these four countries, is as follows: Receipts in 1865, $684,155. Expenses, $685,250: Profits, $1,095.

Receipts in 1868, $784,901. Expenses, $1,013,907: Loss, $229,006.

The increase in the number of messages transmitted was 52 per cent.; in the number of miles of wire, 51 per cent.; in the cost of working the lines, 52 per cent.; and in the receipts, of only 14 per cent. An average reduction of 8 cents in the tolls on each message resulting in a loss of $229,006, or 30 per cent. on the gross receipts in 1868, in place of a profit of $1,095 in 1865.

These facts prove, beyond all question, that in Europe the increase in wires and operating expenses is very nearly proportional to the increase in the number of messages transmitted. Now it is claimed, and the statistics in nearly all cases substantiate the claim, that a reduction in the rates for telegraphing is followed by an increase in the number of messages offered for transmission, proportional to the reduction. If this result should follow the adoption of the bill now before this committee, what would be the effect upon the telegraph system in the United States? There are now transmitted by all the lines operated in this country, exclusive of all press and railroad messages, not less than 10,000,000 private telegrams, at an avearge cost of about 60 cents.

This bill proposes to reduce the rate to 20 cents, and to increase the number of words from 25—the average number now sent at the mimimum rate—to 30, an increase of 20 per cent. in the number of words in each message. The receipts from 10,000,000 messages, at 60 cents, would be $6,000,000. In order to realize the same amount of money at a tariff of 20 cents, it would be necessary to send 30,000,000 messages, of 30 words each, equal to 36,000,000 messages of the present limit, being an increase of 26,000,000, or 260 per cent. There are now in operation, in the United States, about 130,000 miles of telegraph wire employed in transmitting 10,000,000 messages. Assuming that the wires are now fully occupied, if you increase the business 260 per cent., an increase of 260 per cent. will be required in the number of miles of line and wire, or an addition of 338,000 miles of wire, making a total of 468,000 miles. That this estimate is a reasonable one is demonstrable. In Continental Europe, 18,000,000 messages are transmitted upon 300,000 miles of wire—being an average of 60 messages per mile. In the U. S., 10,000,000 messages are sent upon 130,000 miles of wire—being an average of 77 messages per mile. In Con-

tinental Europe, however, there is no press service like ours, nor such use of the telegraph by railroads, the railroad companies having lines of their own. Our wires actually perform, therefore, three times as much service as the European.

MR. WASHBURN—How many miles of wire are there in the United Kingdom—Great Britain and Ireland?

MR. ORTON—About one hundred thousand, I think. According to the statistics obtained from the European reports, if the number of messages in Europe were increased from 18,000,000 to 36,000,000, an addition of 300,000 miles of wire would be required, making a total of 600,000 miles; because I claim to have proved substantially that during the last four years the percentage of increase of wire has been approximately the same as the increase in the number of messages transmitted. In Continental Europe, however, the minimum message is 20 words, counting date, address and signature, while this bill makes the minimum 30; therefore, 36,000,000 messages sent under this bill would be equal to 54,000,000 European messages, and would require for transmission, according to European statistics, 900,000 miles of wire. I think you will admit that if I allow only 468,000 miles of wire for the transmission of as many messages in the United States—in addition to the immense amount of press matter and railroad business—as can be sent over 900,000 miles of European telegraphs, I am not making an extravagant estimate of the extensions which will be necessary if this bill is adopted.

Let us now consider the probable cost of constructing this additional amount of line. There are now in operation in the United States about 75,000 miles of line, or 130,000 miles of wire. An increase of 260 per cent. would require the construction of 195,000 additional miles of line, making a total of 270,000 miles of poles and wire. The cost of building a telegraph line depends, like that of any other structure, upon the value of the materials and labor employed in its construction—costing from $150 for a single wire line to as high as $2,000 per mile for lines like those we have constructed during the last few years in the city of Chicago and the approaches thereto.

MR. WASHBURN—How did they happen to cost so much?

MR. ORTON—There are poles costing from $7 to $15 apiece, and it takes a small army of men to handle them. We have been rebuilding those lines at an average cost of $2,000 a mile.

MR. LAWRENCE—You use wooden posts?

MR. ORTON. Yes, sir; cedar—some pine, 55 feet long in some cases.

MR. WASHBURN—About 30 to the mile?

MR. ORTON—About 40 to the mile, and in some cases running as high as 50 and 60 to the mile.

We have seen that the average cost in Europe is over $300 per mile. If we estimate the expense here—where materials and labor cost more than twice as much as in Europe—at $400 per mile, we shall certainly not be deemed extravagant. 195,000 miles of line, at $400 per mile, gives us $78,000,000 as the expense which would be required to put up the additional line necessary to transmit the increased traffic under this bill.

It should be borne in mind that every mile of wire that is put up in this country costs nearly double what it does in Europe; and, notwithstanding timber is alleged to be so scarce in Europe, poles can be purchased and delivered, on the average, after being treated with reference to increasing their durability in the ground, cheaper than the average poles cost us in the United States without such treatment.

The cost of prepared poles in Belgium is shown by the following extract from the report of the Engineer of the Belgian Telegraphs:

The results of the preparation of 1865 are as follows:

No. of the Poles.	Price of the Wood.	Cost of Preparation.	Total net Cost.
2	.65	.26	.91
3	.73	.32	$1.05
4	.88	.37	1.25
6	$1.20	.65	1.85
7	1.40	.74	2.14
8	1.90	.90	2.70

Several foreign contractors have offered to the administration prepared poles at an advantageous price. A public auction occurred in 1866 of a lot of 3,400 spruce poles, injected with sulphate of copper, and with the bark taken off, delivered at the station of Mons. The dimensions of these poles differed from those of the poles furnished at Lierre. We give below an abstract, with the price of the different samples:

No. of Poles.	Length in ft.	Circumference, 6 ft. from bottom.	Approximate size, cubic ft.	Price.
2	20	18 inches.	3.955	$1.34
3	25	18 "	4.48	1.60
6	20	24 "	7.75	1.40
7	25	24 "	8.57	1.78
9	30	27 "	9.97	2.40

Another reason why the European lines cost less than ours is because they use a smaller sized wire, as a general rule. As a proof of this I submit the following statement from the *Annales du Genie Civil*, Paris, 1869:

"The conductors put in service within two years are composed of iron wires, of Nos. 6 and 8 gauge, ungalvanized. The wire of No. 8 gauge is employed upon the lines of the interior service, and the wire of No. 6 gauge is used upon the international lines. *All the lines established along the railroads are composed of galvanized iron wire, of No.* 11 *gauge.*"

No. 6 wire weighs 538 lbs. to the mile.
" 8 " " 389 " "
" 9 " " 323 " "
" 11 " " 211 " "

Now, while we have some No. 6 wire in use, and a large amount of No. 8, we have never employed any iron wire for telegraph conductors smaller than No. 9.

Mr. WASHBURN—Do you mean to say that the lines of the Western Union Company cost anything like $400 a mile?

Mr. ORTON—I do not mean to say that, because I do not know, and it would be impossible to ascertain with precision. A new telegraph line may be aptly compared with a new house, which serves a useful purpose for the time being, but which requires continual outlays for additions, repairs and furniture. The original cost of some lines has been doubled in five years by such additions.

Now, let us see what will be the annual expense of operating the lines provided the Government performs the service as economically as private companies; because it is of no sort of account what your lines cost if you cannot do the business for the receipts. 10,000,000 telegrams are now sent at an expense of $4,000,000, or 40 cents apiece, therefore 36,000,000 telegrams would cost $14,400,000, or $8,400,000 more than the tolls received. But is it probable that under Governmental control the service could be done as economically as under private management? It is generally believed that work done by Government employés is more expensive than that performed by private enterprise. In Europe we have seen that it costs upon an average 63 cents for the transmission of every despatch, while the salaries paid to the operators is less than one half as much as similar employés receive here.

The following are official statements of the salaries paid to the officers and employés of the telegraph service in several European countries:

FRANCE.

General Superintendents	$2,400	per annum.
Division " { 1st class	2,000	" "
" " { 2d "	1,800	" "
Managers of offices, 1st class	560	" "
" " " 2d "	520	" "
Principal Clerks	500	" "
Operators, 1st class	480	" "
" 2d "	420	" "
" 3d "	360	" "
" 4th "	320	" "
" 5th "	280	" "

SWITZERLAND.

Superintendent	$900 00	per annum.
1st Secretary	600 00	" "
2nd "	500 00	" "
Auditor	600 00	" "
1st Assistant Auditor	480 00	per annum.
2d " "	360 00	" "
4 Inspectors	$540 00 to 720 00	" "
Managers of Offices	360 00 to 600 00	" "
Operators, 1st class	480 00	" "
" 2d "	420 00	" "
" 3d "	360 00	" "
" 4th "	320 00	" "

PORTUGAL.

Director-General	$1,500 00	per annum.
Inspector	1,100 00	" "
Superintendents	500 00	" "
Office Managers, 1st class	450 00	" "
" " 2d "	360 00	" "
Operators, 1st class	300 00	" "
" 2d "	240 00	" "
" 3d "	200 00	" "
" 4th "	150 00	" "
" 5th "	125 00	" "
Line Repairers, 1st class	100 00	" "
" " 2d "	80 00	" "

ITALY.

Chief Inspector	$1,200 00	per annum.
Sub-Inspector	800 00	" "
Directors of 1st class	1,100 00	" "
" 2d "	900 00	" "
Chiefs of Section of 1st class	600 00	" "
" " 2d "	560 00	" "
Operators, 1st class	440 00	" "
" 2d "	400 00	" "
" 3d "	360 00	" "
" 4th "	300 00	" "
" 5th "	240 00	" "

BAVARIA.

The average compensation per year is as follows:

For the assistants—First three years	$172.00
" " After " "	189,00
" " " six "	236,00
" " " twelve years	268,00
" Telegraphists—First three "	193,00
" " After " "	236,00
" " " six "	300,00
" " " twelve "	364,00
" Chief "—First six "	386,00
" " " After " "	429,00
" " " " twelve "	472,00
" " " " eighteen "	514,00

At stations where the traffic is not large enough to warrant the employment of a special telegraph operator, the duties of the latter are performed by officers in charge of the railroad or post-office. In remuneration for this service they receive a commission of 25 per cent. on the receipts for a single message of 20 words, throughout the kingdom, for each internal despatch sent, and international sent

and received. The present tariff is 20 cents. The rate of the premium is 5 cents, irrespective of distance and number of words.

Mr. WASHBURN—Do you assume that there would be no saving by occupying the telegraph offices in conjunction with the post-offices, and by employing postmasters?

Mr. ORTON—Not a particle. Take, for instance, the city of New York. In order to accommodate the volume of telegraphic business that is even now done there, it would be necessary for you to move out of the post-office there, give it all to us, build another post-office just like it, give that to us also, and then look out for yourselves. We occupy more than twice the space that the post-office occupies in order to handle the present volume of business. But when you come to enlarge that business 260 per cent, it involves an expenditure which I do not wish to contemplate, at the present rate of rents in the city of New York. That is a view of the case that has not evidently been taken into the account. Mr. Hubbard comes here and says that Postmaster Burt, of Boston, says the business could be squeezed into a chamber of the post-office there; *but it simply cannot be done;* and if it cannot be done on the present volume of business, what are we to do when you have taken our 200 wires, leading into one building in the city of New York, and increased them 260 per cent., and increased our 100 operators 260 per cent. more? You can see something of the expense that would be involved. This service, it should be borne in mind, is the labor of individuals. The minute you reach the limit of capacity of one operator and wire, you must add another of each; and that is why these results are so surprising. I had no conception, three years ago, when I commenced the investigation of this subject, that I was going to develop such results, and was still more surprised when, by the investigation of our own statistics, we found we were travelling very much in the same direction.

As the number of words to be sent for the minimum rate under this bill is 50 per cent. more than that allowed in Europe, we should, in order to institute a fair comparison, add this to the cost, but assuming that the number of words is the same, the cost of transmitting 36,000,000 messages would be, according to the European standard, $22,680,000, thus showing a loss of $16,000,000 in operating the lines, to say nothing of the interest on the cost of the lines.

But the loss on the service, great as it would be, is nothing in comparison with the enormous damage that would ensue to the commerce of the country by the utter breakdown in the entire telegraphic system of this continent were this bill to pass—a breakdown compared with which the failure in England might be regarded as a great success.

The rates between all the great commercial cities, where the chief business is done, is already very low, as the following table will show:

FROM	TO Principal Cities in United States.	Distance in Air Lines. MILES.	Tariff in U. S. Cur.
New York ..	Albany	133	$0 40
" ..	Baltimore	200	35
" ..	Boston	195	30
" ..	Galena	870	1 20
" ..	Buffalo	300	50
" ..	Chicago	750	1 00
" ..	Dubuque	880	1 20
" ..	Indianapolis	650	60
" ..	Cincinnati	600	60
" ..	St. Paul	1,050	1 50
" ..	Louisville	700	75
" ..	Milwaukee	750	1 10
" ..	Philadelphia	90	25
" ..	Providence	155	30
" ..	Nashville	800	1 00
" ..	Memphis	1,000	1 25
" ..	Dayton	575	60
" ..	Wheeling	400	30
" ..	Harrisburg	175	25
" ..	San Francisco	2,675	5 00
" ..	St. Louis	900	1 50
" ..	Rochester	270	50
" ..	Pittsburg	330	25
" ..	Detroit	500	1 00
" ..	Washington	230	40
" ..	Cleveland	420	1 00
" ..	Toledo	500	1 00
" ..	New Haven	70	20
" ..	Hartford	100	20
" ..	Troy	140	40
" ..	Charleston	700	1 85
" ..	New Orleans	1,200	2 50
" ..	Portland	290	50
" ..	Richmond	330	1 05
" ..	Mobile	1,130	2 50
" ..	Savannah	780	2 20
" ..	Galveston	1,530	4 00
		26,813	

Now you will say that applies mainly to points where we have competition. A moment's reflection will show that every time we reduce between points where there is competition there begins to operate at once the necessity for lateral reductions. Those reductions are going on all the while. We have a bureau devoted to the management of the tariff, and it is a part of my duty every week to revise consider and examine the reports from that bureau, as to reductions made necessary between points where there is no competition, in order to enable us to harmonize rates between intermediate points where there is competition. And this process of reduction is going on all the while. I have probably reduced a hundred tariffs since I was here last week. It is a matter that attracts no attention and receives no announcement. But the tendency of our proceedings has been, I am free to say, in some respects, to reduce rates more rapidly than we can afford.

But we are not here to complain that we are doing it. We only claim that so long as this process is going on, and the public is deriving the benefit, and is not making complaint, that there is no provoca-

tion, and, I may be permitted to say, no justification for interference by the Government.

In order to increase the number of messages in proportion to the reduction in the rates, under the proposed Government system, the additional traffic, or the greater part of it, must be conducted between distant points, since the rates between contiguous localities, where the bulk of the business is done, are already approximately as low as those proposed in this bill.

Take the rates between the cities along the Atlantic coast; they are now very low, approximating to the rates proposed by this bill. But it is not between these contiguous places along the Atlantic coast that the increase of business is to come from reduction. There is very little increase in the business of the City of Washington made by any reductions. Its business with New York is but very slightly increased by our offer to send a message to New York at night for 20 cents, exactly the rates proposed by this bill. You can now send a message from here to New York for 20 cents, deliverable to-morrow morning, yet there is very little of that bnsiness done. Why? Because a letter will do as well or better, and costs but three cents

Mr. WASHBURN—What do you think would be the effect of reducing the rates one half during business hours—that is, to 20 cents?

Mr. ORTON—There would be a considerable increase in the number of messages by-and-by—perhaps, in the course of a year, an increase of a hundred per cent. in the number of messages; but we should increase our expenses also. And if such a reduction rendered it necessary for us to put up more wires between here and New York we should lose largely, even if we doubled the business, since we should increase both our capital and expenses, without any compensating increase of profits. The tariff betweeen New York and San Francisco is now $5, while under this bill it would be but 20 cents. Now, if the increase of the number of messages is proportional to the reduction in the tolls, twenty-five messages would be sent at 20 cents where one is now sent at $5; and as the facilities for transmission must be proportional to the number of messages to be transmitted, it would require twenty-five times as many wires to send them upon. There are now two wires in operation all the way across the continent, and a portion of the way three. If this bill passes, and the anticipated increase in the traffic should follow, it would require at least 50 wires to do the business.

MR. WASHBURN—How many messages can be sent on an average over a single wire?

MR. ORTON—As to the number ot messages that could be sent in an hour, to simply answer that question, without bringing in collateral matter, it would be like answering the question, "How fast can a horse run?" it depends upon such a variety of conditions. One operator will transmit more than another; and it also depends upon the character of the messages. Here is a message that has 15 or 20 free words, and here is another that has only five. How many words to a message do you mean?

MR. WASHBURN—I mean ordinary messages of 10 words.

MR. ORTON—I think the best answer I could make to that question is to say that we find that in serving the continuous press reports, they run along for an hour, and sometimes two hours without stopping—and that would be probably the best illustration of what could be got out of the operators if they were kept up to work all the while. Now while we have furnished *data* showing that one operator in the United States has received 2,700 words in an hour and written them out—another one, of course, transmitting it—the average (and we call it a very good average, too), on these press reports is 1,000 words an hour, where they work right along without interruption.

MR. LAWRENCE—Then probably an operator could not send over 60 or 70 separate messages an hour.

MR. ORTON—Nothing like so many as that, as a general rule; thirty would be considered an excellent average.

MR. BECK—I should like to get this question explained. You spoke of the immense number of wires that would be required to transmit the business across the continent—from here to San Francisco—under Mr. Washburn's low tariff, the charge being five dollars a message now, and that you have two wires. You can tell, I suppose, with great accuracy, how many messages you receive daily now, on the average, from San Francisco?

MR. ORTON—I can tell how many messages are received at any one point; but, going back to my illustration, let me say, that while New York may be handling its business with San Francisco, all stations between those points and west of the Mississippi, where there are but two wires to San Francisco, and between one or two hundred stations, would be idle, except in so far as they could be accommodated with the other wire.

MR. BECK—But from Omaha to San Francisco, where the two wires begin, you receive, perhaps, not over fifty messages a day?

Mr. ORTON—I cannot answer that question here, but I can give you the information hereafter.

Mr. BECK—In other words, if 20 messages could be sent an hour from San Francisco to Omaha, or anywhere along those two wires, those wires are not worked up to within one tenth of their capacity at present?

Mr. ORTON—I will undertake to say that they are worked up to 75 per cent. of their capacity.

Mr. BECK—At five dollars a message?

Mr. ORTON—Oh, no. I have alluded incidentally to two classes of service, that I have not supposed you would take the time to consider and dissect, yet I must allude to them in this connection. We transmit 2,500 words a day to San Francisco, for the California State Press. We transmit on these same wires press matter to Denver, Colorado, to Salt Lake City, and up to Helena City, on the line going towards Fort Benton, thus occupying one of the two wires a portion of the time; a portion of it goes during business hours and a portion goes in the night time. Again, we transmit a large number of messages that we do not take into the account at all, for railroad companies, in return for rights of way—a service that is costing us, even though payable in telegraphing, considerably more than it ought to cost, and is becoming quite a tax on us.

Mr. BECK—The idea I was pursuing was the immense number of wires that would be required.

Mr. ORTON—If you will wait a moment I will come to a demonstration, made from actual *data* on that subject. To cover that point I have prepared the following statement, showing the annual loss that would result from operating two wires between New York and San Francisco, at the rate of 20 cts. per message of 30 words:

Interest on cost of 3,500 miles of line, @ $500 per mile, $1,750,000, @ 10 per cent.	$175,000
Cost of maintenance	87,500
Battery	10,500
Operators and clerks	65,000
Rent	12,000
Messengers	3,500
Stationery	8,000
Light and fuel	3,500
Office furniture and repairs	2,300
State taxes	5,000
Total expenditure	$372,300
Receipts on 111,428 messages, @ 20 cents	22,285
Loss	$350,015

These are *pro rata* estimates, derived from our expenditure account for last year, and believed to be below, rather than above, the actual cost of operating such a line.

A thousand miles of that line across the plains cost a fabulous sum. We paid five dollars a pole, in gold, to the Central Pacific Railway Company, simply for transportation. Our bills for transportation by the Union and Central Pacific Railway, within two years, have probably amounted to $100,000.

The estimated number of messages which such a line is capable of transmitting per annum is obtained as follows: We have a statement, prepared with much care, two years ago, showing the number of words sent and received per day on each wire from and to New York, from January 4th to January 10th, 1868. The total number of words sent during the six days is then divided by six, to get the average per day. We then divide this amount by thirty, the average number of words in the minimum message, according to this bill, and this amount again by the number of wires actually employed. The number so found we multiply by two—for the two California wires—and this sum by 313—the number of working days per year. No better result than this could reasonably be expected, as I assume, in this estimate, that two wires will work through to California with as good an average result as we work the short lines centering at New York, which, of course, could not practically be done.

Assuming, according to the European data, that the rate of increase in the expenses is proportional to the rate of increase in the number of messages, the result, under the Government rate of 20 cents between New York and California, would be as follows:

If the reduction in the rates increased the business twofold, the annual loss would be	$700,000
If the increase was fourfold, the annual loss would be	1,400,000
If the increase was sixfold, the annual loss would be	2,100,000
If the increase was twelve fold, the annual loss would be	4,200,000
If the increase was twenty-five fold, the annual loss would be	8,750,000

But the mere loss of $20,000,000 or $30,000,000 per year is an insignificant item when compared to the injury that would result from the great increase in the business beyond the capacity of the lines. Take the California lines, for example. Suppose that on the 24th day of July, 1871, the rates were reduced to twenty cents between the Atlantic and Pacific States, and that instead of 400 messages per day, 10,000 messages were offered for transmission, what would be the result? An entire cessation of all electric commerce between the two sections, and a general state of telegraph anarchy. This is no mere speculation, but is precisely what would happen if the traffic increased in proportion to the reduction in the tolls.

In this connection, let me say that that was the difficulty in the way of the success of the system under Mr. Scudamore's management. Before he made any reduction in rates—and he has not made much on the average, because the rates between

the principal cities where the business was done was only about a shilling before—he should have seen that his lines were in proper order, and made provision on the trunk lines for the additional business to be brought upon them by the lateral lines which he extended to the small villages and communities. Every thousand miles of line that we develop in Missouri and Kansas, and down in the Indian Territory, require an increase of facilities between St. Louis, Chicago and New York, because a percentage of the business which is developed in that locality flows forward on the trunk lines, and that must be kept steadily in view. For instance, we have lines running from New York to Albany, Utica, Auburn, and along to Rochester, and so on to Buffalo. But the wires for Chicago and San Francisco must be operated alongside of these, and yet must be free from the accumulation of any of this local business. So that whenever the business of the Pacific Coast increases so as to require an additional wire to transmit it to the Missouri River, it becomes necessary to put up an additional wire from the Missouri River to New York.

The result that would ensue between the Atlantic and Pacific States would occur upon all other routes in the country. The messages offered for transmission would be from ten to fifty times more than the wires could carry. In a great country like the United States, extending over a vast continent, and having large cities situated thousands of miles apart, closely linked together by the most intimate commercial and social interests, it will not answer to adopt a rate of tolls which cannot meet the current expenses of the system in a little country like Belgium, whose chief cities are but thirty miles apart.

On the first of November, 1869, France reduced the tolls on inland messages, that is to say, on messages passing between stations within her own territory, from 40 to 20 cents, but retained the old rate upon international messages, those coming from or going to other countries.

Mr. WASHBURN—What was the effect of that reduction on inland messages?

Mr. ORTON—A considerable increase on inland business, I believe. But the telegraph business in France was done during the year 1868, at a loss of over half a million of dollars. Now it has reduced its tariff on inland messages 50 per cent., there must be an increase in that class of business of 100 per cent., without any corresponding increase of expenditures, in order to leave them with only a loss of half a million per annum for the present year.

I have before me the official tariff published in Paris in 1870, from which I have copied the rates now in force between stations in France and other countries in Europe, by the cheapest routes:

Table showing the Tariff for a message of 20 words, counting date, address and signature from France to other countries in Europe.

	DISTANCE.	Tolls in France.	Tolls in other Countries.	TOTAL.
From France to Prussia	Territories join	$ .40	$ .40	$ .80
" " " England	30 miles	.40	.80	1.20
" " " Austria and Hungary	150 "	.60	.60	1.20
" " " Baden	Territories join	.40	.20	.60
" " " Bavaria	" "	.40	.20	.60
" " " Belgium	" "	.40	.20	.60
" " " Denmark	500 miles	.60	.70	130
" " " Spain	Territories join	.40	.40	.80
" " " Italy	" "	.40	.40	.80
" " " Greece	1,000 miles	.60	1.40	2.00
" " " Hohenzollern	30 "	.40	.20	.60
" " " Luxemburg	Territories join	.40	.10	.50
" " " Norway	900 miles	.60	1.10	1.70
" " " Holland	100 "	.40	.40	.80
" " " Portugal	350 "	.40	.60	1.00
" " " Russia	700 "	.60	1.50	2.10
" " " Sweden	800 "	.60	1.00	1.60
" " " Switzerland	Territories join	.40	.20	.60
" " " Turkey	600 miles	.60	1.40	2.00
" " " Wurtemberg	30 "	.40	.20	.60

The tariff from Paris to London is 80 cents, the amount being equally divided between the French and English lines.

Thus we see that, while France has made a cheap rate for telegrams which originate and terminate within her own territory, she imposes a tariff of from 40 to 60 cents, as her portion, upon all messages which go to or come from any other country.

In case of the adoption of this bill, however, the United States has no neighboring countries upon whom to impose an extra tax to help to make up for the deficiency in her interior service.

In Bavaria, the receipts from 1850 to 1869 were $1,564,318, and the expenses were $1,798,018—the expenses exceeding the receipts $233,700.

The number of messages transmitted, including inland, international, sent and received, and transit, were 4,815,136, making the average tolls per message 33 cents.

Bavaria has an area of 29,637 square miles—about half the size of New York—and contains a population of 4,824,421 inhabitants.

In Switzerland, the receipts up to 1869 were $1,544,664, and the expenses $1,724,497—the expenses exceeding the receipts $179,833.

The number of messages transmitted, including inland, transit and international, both sent and received, was 6,510,074, making the average tolls per message 23 cents.

Switzerland has an area of 15,261 square miles—about one third as large as New York—and contains a population of 2,510,000.

Belgium received up to 1869 $1,994,603.

The number of messages transmitted, of all kinds, was 9,417,113, making the average tolls 22 cents.

Belgium has an area of 11,400 square miles—about one quarter as large as new York—and contains a population of 4,961,644.

In Holland, the receipts from 1852 to 1869 were $2,218,021, and the expenses $2,935,488, showing a loss of $717,467.

The number of messages transmitted, of all kinds, was 8,985,096, making the average tolls 24 cents.

Holland has an area of 2,146 square miles—about the size of Delaware—and has a population of 3,628,468 inhabitants.

In 1868 Bavaria received $151,679, and expended $195,122. Belgium received $239,420, and expended $258,385. Holland received $209,566, and expended $351,579. Switzerland received $170,848, and expended $211,821. Austria and Hungary received $1,390,195 and expended $1,966,396. Denmark received $70,314, and expended $126,346. France received $2,013,763, and expended $2,583,580. Greece received $39,359, and expended $47,983. North Germany received $1,682,895, and expended $1,936,867. Spain received $315,022, and expended $687,987.

The losses were as follows for 1868:

In Austria and Hungary	$576,201
" Belgium	33,885
" Bavaria	43,443
" Denmark	56,032
" France	569,817
" Greece	8,624
" Holland	142,013
" North Germany	253,972
" Spain	372,965
" Switzerland	40,972
Total loss	$2,097,924

In no country in Europe have the rates for telegraphing been reduced at once upon the whole volume of business more than 30 per cent., and yet this bill reduces the rates 90 per cent. upon all classes of traffic.

In France, Belgium, Holland, and Switzerland the tolls have been reduced upon one class of messages—the inland—50 per cent., the rates upon international and transit being unchanged.

In England, in 1866, the average tolls upon all classes of messages were 43 cents. When the lines were assumed by the government the rates were reduced upon inland messages to 24 cents for a message of 20 words, but the charge for extra words will probably bring the average upon this class of messages to 30 cents, while the rates upon international and transit messages remain unchanged. When the lines were under private control the rates between London and Manchester, Birmingham, Liverpool, Cambridge and other large towns were only 24 cents, and between stations in the city of London only 12 cents, so that while they remain unchanged under government control between the great commercial cities, they have been actually increased one hundred per cent. in the metropolis. The entire area of England, Scotland and Ireland is only 113,500 square miles, while the area of California alone is 189,000 square miles, and that of the United States 3,480,000 and yet this bill proposes to make the price of a message in this country four cents less than in England, so that the rate of charges established by the British Government upon the lowest class of messages in those little islands would be 20 per cent. higher than the rate for the transmission of despatches of all classes throughout the length and breadth of this vast territory.

I believe it would prove a great misfortune to the people of this country if the telegraph were taken from private hands, where it has been managed with such unparalleled success, and placed under the control of inexperienced governmental officials; but if the representatives of the people think otherwise, I trust they will examine the matter thoroughly, and adopt such precautionary measures as will insure its success.

The Western Union Telegraph Company alone possesses more miles of telegraph line than is contained in the whole of North Germany, Baden, Bavaria, Wurtemberg, Austria, Belgium, Denmark, Spain, Hungary, Italy, Norway, Holland, Portugal and Switzerland; and yet, enormous as is our extent of line—as these comparisons show—they would be totally inadequate to meet the wants of the country if the rates are reduced as provided for in the bill now under consideration.

If the Government takes the telegraph into its hands, and desires to make it a success, it must

do one of two things: Either reduce the rates gradually, and provide additional wires and employés as the traffic increases, or, if the rates proposed in this bill are to be inaugurated at the outset, build 200,000 miles of additional line, and have them in readiness for operation when the Government tariff goes into effect. In either case, however, provision should be made for an outlay of at least $50,000,000 beyond the amount to be paid for the lines now existing, and for an annual deficit of not less than $10,000,000 per year in operating them.

I have no doubt that the Government of Great Britain will ultimately overcome all the difficulties under which they now labor in the working of their telegraphs, but these difficulties should never have occurred. Under private control the British telegraph system was the best and the cheapest in Europe. It had been in successful operation for over a quarter of a century, and fully met the requirements of the English people. In taking possession of so complete a system, the Government should have exercised great caution in making changes likely to interfere with its usefulness. They ought, above all, to have foreseen that a reduction of 25 or 30 per cent. in the rates upon messages and the opening of a large number of new offices would necessitate the increase of the facilities for transmission in proportion to the probable increase in the volume of business. Their failure to make such provision has proved thus far a serious misfortune to the people of England, and should be a warning to us.

Mr. WASHBURN—Does not Mr. Scudamore promise, or hold out the encouragement that he will be able to reduce one half of his present rates?

Mr. ORTON—I do not know what Mr. Scudamore has said on that particular point. It would have but little weight with me. Mr. Scudamore has his knowledge of the telegraph business yet to acquire. Whether he will be able to make a demonstration that shall be opposed *in toto* to the experience of every other European Government remains to be seen.

I should be perfectly astounded at the results shown by the Continental lines were it not for the fact (which is directly in the face of the assertions of Mr. Hubbard), that the telegraph is vastly more used by the people of the United States to-day than by any other people in the world; and for the very reason that it is not required by a domestic people for domestic uses, and is required by a commercial people for business purposes, and especially so over the large distances of a country like the United States.

Mr. WASHBURN—Isn't it very largely used for domestic purposes in Europe now?

Mr. ORTON—I have no *data* on that point as to what extent it is used for domestic purposes.

Mr. WASHBURN—I think the *data* is some 60 per cent. in Belgium and Switzerland on family matters.

Mr. ORTON—I have seen some *guesses* of that kind, but do not place any reliance on them. But if our people desired to use the telegraph for social purposes, why do they not take advantage of the opportunity we offer them of sending their messages long distances, where it will take two or three days at least to go by mail, at one half rates during the night?

Mr. WASHBURN—They don't understand it generally.

Mr. ORTON—I have circulated nearly a million advertisements of the fact that we send a message at half rates during the night, deliverable the next morning, by inclosing them in the envelopes of messages delivered—continuing that distribution until I supposed every person who, in the course of a month, had occasion to receive a telegraphic message, would know it; and have hung cards in conspicuous positions in every telegraph station in the United States, and had the fact noticed, I think, in nearly every journal of the United States.

There are other items that have not come into the account at all. There is no fair comparison between the postal service and the telegraph service in this: we provide all the stationery. A customer comes to our counter and writes his letter on our paper; we have to make a copy of that on our paper at the other end, put it in an envelope and deliver it. It is quite an item. Five hundred reams per month, of a single kind of paper, is consumed to make the forms on which messages are written.

But suppose what was urged, when this discussion commenced two years ago, was true—that the average message in Europe, Great Britain included, was sent for half the price of a message in the United states—does that fact of itself prove anything as to the necessity of Governmental interference in this business? Has anybody in control of the Government, from its organization down to to the present time, *dared*, during such control, to inaugurate and carry out a policy that put the price of labor in the United States upon a par with labor in Europe? Isn't the whole foundation of the claim of protection to American industry, in respect of which there is an almost entire unanimity of opinion—except as to the degree of protection—based upon the allegation that the labor of Europe is so cheap, in every department of industry, that it is unfair to subject the free American laborer to its competition? And, in addition to 3,000 miles of ocean, and 10 to 30 days difference of time, freight, insurance, interest,

premium on gold, we create an additional ocean 3,000 to 6,000 more miles, by the imposition of duties, solely for the purpose of creating a price that will enable the laborer in this country to receive two, three or four times the wages paid there, and yet enable the producer here to sell his product at a profit. I say it would not have surprised me at all had the investigation proved that telegraphing was done in Europe at half the prices charged in the United States. I am only surprised at the exhibit that has been made. I have before stated, I think, that of the cost of this service there was paid for labor more than fifty per cent. The current expenses for carrying on the telegraph in the United States to-day—of the $4,000,000 which are expended, we will say, by all the companies in carrying on the business—more than $2,000,000 are paid as the wages of labor. If we could be provided with operators at the rates paid for such service in Europe, I would undertake to perform this stipulation: to render a better service at half the average rates now existing in Europe. I entertain no doubt of my ability to accomplish that result. I want to give you a little illustration in support of my claim that the telegraph service is better done in the United States than in Europe, because the contrary has been held. I think the chairman advanced that idea in his speech. I read that speech in Paris, the first days in January. I remember very well discussing it with a gentleman one evening after dinner, when he called my attention to this fact: that the French Cable Company was at that moment engaged in laying a cable across the English Channel, from Falmouth to Brest, at a cost of £40,000, in order that so much of the business of the French cable as originated in England might be relieved from the disgraceful and demoralizing influence of the French telegraphic administration. It was destroying their business. They could not stand its blunders and delays.

If I have not succeeded in reaching and convincing your judgment as thoroughly as mine is convinced, as to the accuracy of the statements I have made, I trust at least I have accomplished this—that I have shown you that there is much to be taken into the account on the side of the telegraph companies when complaints concerning their service are being made; and, also, that before it is fair and equitable to insist that in order to improve this service, as well as to cheapen it, the Government must intervene, that it is right we should ask to be put more nearly upon an equality with the telegraphs existing in those countries that have been brought forward in contrast with our own in that regard. I ask that you shall relieve us from taxation. I may say here that the Committee on Ways and Means have assured me that the tax on the gross receipts of telegraph companies, so far as Congress is concerned, is to be repealed. But I ask you to go further, and to prohibit the taxation of our receipts by the States, because I expect that the announcement of that fact will furnish a pretext, under the precedents which have been furnished in the last two years for increasing these exactions in the States, until we shall derive no real benefit. I not only give the pledge, but I am prepared to have the pledge put into the bill, as a condition of availing ourselves of it, that concessions corresponding in value shall be made to the public in the rates of telegraphing within a year from the making of such concessions. Is not the proposition I read a few minutes ago, that I made before the Senate Committee, a reasonable one? Are we unreasonable in asking 10 per cent. profits on the cash value of our property? If we cannot make any dividends at all there is something radically wrong. Now you will say that competition is unncessarily increasing expenses. I grant it. But still, if the public cannot be served in this country under competition as favorably as it can be served in any other way then it seems to me it is not worth while for the Government to try it.

Mr. WASHBURN—If the Government would guarantee you 10 per cent. on the cash value of your lines, and take the risk of loss, would you undertake to send messages at a uniform rate throughout the country for twenty cents?

Mr. ORTON—Yes, sir. That is substantially the proposition I make.

Mr. WASHBURN—Would you be willing to take the value of your stock in the stock market as a basis?

MR. ORTON.—I would not. The quotations of the stock market seldom give the true value of the property of any corporation. The present price of our stock in the market is about 33—the par value being 100. I hold a little, however, for which I paid, more than three years ago, 58. Since that time we have expended, in enlarging and improving our property, more than three millions of dollars in cash, taken from current earnings. Intrinsically, therefore, our property is worth three millions more when its stock is selling at 33 than when it sold at 58. It is probable that, had we divided the three millions among our stockholders the price of the stock would be much higher to-day than it is, although it would be actually worth considerably less. You will see by this illustration how unjust it would be to ask our stockholders, a majority of whom have paid very much more for their stock than it will now bring in the market, to abandon all expectation of ever getting their investment returned in full, as well as all hope of any future profit.

I have partially considered all the points to which I desired to invite your attention when this

discussion began, except in regard to the bill of Mr. Hubbard. I do not like to speak of that in his absence; but I shall not say anything in his absence that I have not already said in his presence; moreover, the report is here, which he may see; and if your patience is not already exhausted I will take a few minutes in which to refer to Mr. Hubbard's proposition.

If the Government cannot do the business at the rates proposed by Mr. Washburn without loss, how can Mr. Hubbard do it? He may reply that his rates are higher than those proposed by Mr. Washburn—which is true with reference to long distances. Now, I undertake to say that it is of no consequence to the projectors of that scheme whether it succeeds or not. There is enough in it for success to them, and they can abundantly afford to let it fail. It is within your knowledge, Mr. Chairman, that telegraph stock is not sought for very eagerly in any part of the country. The mania which ran through the successive stages of silver and gold mining corporations, and petroleum corporations, came down to telegraph companies a few years ago, and apparently has spent its force. No responsible man undertakes to-day to go openly into any community and ask subscriptions of responsible parties to the stock of a new telegraph company. Any one contemplating a movement of that kind, therefore, is under the necessity of finding something wherewith to varnish it over to cover up its defects, or improve its brilliancy and attractiveness to the public. The varnish in this case the Government is asked to supply—first, with an act of incorporation. But Mr. Hubbard can go into the State of Massachusetts, or New York, or any one of the thirty-seven States, and get his act of incorporation as readily as I can. We never think of opposing the granting of any such charter of incorporation by any State. There is no difficulty about it. There are charters for sale, and some have been offered to me recently for nothing. He would then start precisely the same as every other telegraph company has started before. That, however, would be an ordinary "opposition" line, and he knows there would be no sale for such a stock; but if he can hold out to the public the advantages of his connection with the Government, whereby the Government is to defray all the expenses, and he is to have all the receipts, it may not be difficult to induce the subscription of a sufficient amount of capital. If the scheme is good for anything at all, it will certainly be good for the first two or three millions of its stock. I have not the bill before me, but if you will refer to it upon this suggestion, you will see that I am correct, when I say that under that bill three parties, consisting of Mr. Hubbard and two others, named first in connection with himself in the list of corporators, have the right to issue the first million of dollars of the stock of the company, and there is nowhere in the bill any requirement that there shall be any equivalent for that stock rendered, either by lines purchased or lines constructed. That is the bonus for what is called out West the "promoters." That is to pay the expenses of getting the charter. Of course, I am not speaking of this as anything improper. It is proper, I suppose, for every man to take all that Congress will give him when they know what they are doing. If Congress is disposed to pass a bill of that kind, I should be perfectly willing to stand up here and say I would give and pay into the Sinking Fund for the payment of the National Debt, $250,000, or, perhaps, $500,000, for such privileges.

Yet I am opposed to its passage. And I must assume that the gentlemen who reported in favor of it do not understand what they are doing. But if they do understand it—if you propose to give a few gentlemen an opportunity to put a million of dollars in their pockets by a direct appropriation of stock—I can show you in a moment the butt end of another million of dollars in legitimate profit—I am ready to negotiate for such a franchise as that, openly, on broad and liberal terms.

I have said that this bill in fact appropriates the first million of stock to these three parties, because it authorizes them to issue it without any requirement that they shall show an equivalent. Next, it authorizes the issuing of stock to the amount of $250 per mile of wire purchased or constructed. I think he can get control of a line of telegraph on which a million of dollars in cash has been sunk in the last five years, for less than $150,000 at the present time.

Mr. WASHBURN—How long a line?

Mr. ORTON—From Boston to Washington—four wires. That line is bonded for about $100,000, and there are two years' arrears of interest on those bonds. A holder came recently and wanted to sell some of them to me—said I could go in and bankrupt that company, and get control of its lines, and all that. I said we were not doing that kind of business; we were not willing to take a little piece out of this opposition until we took the whole. In the first place we didn't want it, and in the second place the parties were not ready to sell at rates we would be willing to pay.

But, I take it that all these opposition lines would be very glad to come into Mr. Hubbard's scheme. Now, if he could buy up a portion of them for $50 to $100 a mile, and then stock them in at $250 a mile of wire, as he may lawfully and honorably do, why the balance, of course, he is accountable for to nobody. If, therefore, he

could buy for $250,000 what would represent when stocked in on that basis, a million, there is the first two million dollars of his capital absorbed without having provided a mile of additional telegraph line in the United States beyond what now exists, and without having extinguished a mile of competition. Now, at that very point these men can afford to retire, and go into some other business. It would be of no consequence to them whether the scheme succeeded any further or not. A few gentlemen who divide a million and three quarters could manage to live in this country very comfortably on the proceeds of it, invested in United States securities, even at four per cent. There are no guarantees of any kind whatever, either to the stockholders or to the Government, and if the bill should pass, the Western Union Company would stand in the position of either being compelled to come in behind Mr. Hubbard and his associates—who never owned a rod of telegraph in the world, and never had anything to do with the telegraph business unless it was sending or receiving a message—the option either to come in with our large property, interests and business behind him, and put them into this pool, and exchange our stock for theirs, or continue a competition with them after they have become snugly ensconced inside of the Post-offices and under the wings of the Government. I submit whether it is fair and just for the Government to do anything of the sort.

Again: Suppose we should elect to go in and get control of the stock—as we could have the control, since we own 80 or 90 per cent. of the property—and turn these parties out; it is simply then the Western Union Company right over again. If the Western Union Company is such a tyrant and monster, with a competition existing over a large portion of the territory, what would it be with that competition extinguished, and under the protection of the Government, and in partnership with it? Why, Mr. Chairman, there has never been a monopoly conceived so absolute in respect of any business as that monopoly would be inevitably under the operation of that bill if the scheme succeeded at all. If it didn't succeed, it would only inure to the benefit of a few speculators, and do no good either to the public or shareholders in the existing lines. It seems to me it is not worth while to go any further; that I have presented considerations enough: first, that it is a scheme for the aggrandizement of its promoters; secondly, that instead of relieving the public from whatever abuses and errors and faults which exist to-day, it would leave all the occasions for them to rest precisely as before, with this added disadvantage—that they would be absolutely incurable.

Mr. WASHBURN—I understand that if either of these bills should pass, you would prefer the Government should have the entire control to this partnership arrangement?

Mr. ORTON—If I spoke simply from selfish and speculative motives, I should say that I had rather Mr. Hubbard's bill would pass; because, with my opportunities and experience, I can see where I could make a good deal of money for myself. But standing here as a citizen claiming a little patriotism, I say unhesitatingly to the Government, make your contributions in the way of protection and immunity from taxation and annoyances open and free to all companies, or take the whole business to yourself and control it. In my judgment there is no middle ground. Leave it either to private competition, with such protection as you can give in exchange for the right to exercise a certain control of the companies (they would certainly concede the right for you to control their tariffs), or else acquire the property by fair, legitimate ascertainment of its value, and then take the business entirely in your hands—one or the other.

Mr. LAWRENCE—If you take the sum of money divided to your stockholders in dividends for the last three years. and add to it the money invested in new lines and improvements on old ones, not including mere repairs, what would be the per-centum of the gross sum on a capital of forty millions?

Mr. ORTON—About six per cent. Probably a little less. In conclusion, I desire to thank the committee for the patient and apparently interested attention they have accorded to me.

APPENDIX.

A REVIEW OF

Mr. SAUER'S TELEGRAPH STATISTICS.

By GEORGE B. PRESCOTT.

Hon. C. C. Washburn, in a speech on the Postal Telegraph bill delivered in the House of Representatives December 22d, 1869, says, "I have been greatly indebted to George Sauer, Esq., an American gentleman residing in Paris, and formerly United States Consul at Brussels, and more recently one of the promoters of the French Atlantic Cable, for many of my facts in regard to European telegraphy." Mr. Hubbard, another advocate of postal telegraphy, acknowledges his indebtedness for European statistics to the same source, while to Mr. Sauer is also due the credit of furnishing much of the material for the speech of Hon. E. B. Washburne on the "Union of the Telegraph and Postal Systems," delivered in the House of Representatives in 1868. Thus it appears that Mr. Sauer's statistics have been the foundation, or tap root, of all the postal telegraph schemes which have been started in this country for the past three years. As the statements relating to telegraph matters of all three of the gentlemen who have derived their information from Mr. Sauer have been almost invariably incorrect, we have taken some pains to obtain Mr. Sauer's compilation, for the purpose of instituting a comparison between his statistics and those contained in the official reports. We have now before us the work in question, entitled,

"THE TELEGRAPH IN EUROPE.

BY

GEORGE SAUER.

Paris, 1869,

Printed for Private Circulation."

The first 25 pages of the book are devoted to a history of "The Rise and Progress of the Telegraph," which, if not entirely correct, or particularly novel, is at least quite harmless. The succeeding 135 pages contain brief notes on the telegraph in various European countries, and are quite curious, statistically considered, for asserting in one place what they contradict in another.

MR. SAUER'S STATISTICS.

Page 174 contains the following table, purporting to show the number of miles of telegraph wire in operation in Europe, together with the cost of constructing them:

Statement, showing the Mileage of Wires and Cost of Construction.

	Miles.	Expenditure.
France	70,330	$4,781,103
Belgium	7,444	441,199
Switzerland	4,612	414,188
Prussia	45,272	2,418,540
Bavaria	4,729	361,374
Baden	2,343	200,000
Würtemberg	2,020	150,000
Other German States	2,000	150,000
Sweden	7,328	1,151,101
Norway	3,160	660,954
Denmark	2,302	530,000
Russia	44,823	5,200,000
Italy	26,832	3,000,000
Netherlands	4,280	695,138
Great Britain	85,000	13,000,000
Austria	32,000	2,000,000
Portugal	3,137	500,000
Spain	15,623	1,600,000
Turkey	26,558	3,000,000
Greece	4,000	600,000
Papal States	1,000	150,000
Total	394,793	$41,003,397

Average cost per mile of wire, $103.86.

According to the above table, the cost per mile of line—poles and wire—would be about $300. As Mr. Sauer, however, acknowledges in his pamphlet that he has no information whatever in regard to the expense incurred in the construction of lines in Baden, Würtemberg, Austria, Denmark, Russia, Italy, Portugal, Spain, Turkey, Greece, Hungary, or the Papal States, but simply

GUESSES AT THEIR COST,

and, in some cases, even as to their extent of line, we do not think the table referred to can be regarded as altogether reliable and authentic. Besides, we submit that it is not good guessing which estimates the cost per mile of wire in Tur-

key—where there are two thirds as many miles of line as of wire—at $112; while in the Netherlands, where there is only one mile of line to four of wire, the official reports show that each mile of wire costs $140. Neither does it seem fair to estimate the cost per mile of wire in Austria at $62, while the official reports show that it averaged $157 in Sweden.

Page 176 contains a statement of the

AMOUNT OF BUSINESS DONE

upon the telegraph wires in Europe during the year 1868, which we reproduce below, together with a correct account of the same, obtained from authentic sources:

Statement, showing the Traffic and Revenue of Telegraphs in Europe.

	According to Mr. Sauer.		According to Official Reports.	
Countries.	Number of Messages.	Gross Rec'pts.	Number of Messages.	Gross Rec'pts.
France.....	3,503,182	$1,876,611	3,209,958	$2,013,763
Belgium.....	1,502,599	239,420	1,292,599	339,420
Switzerland..	1,153,092	170,848	939,499	170,848
Prussia.....	3,544,650	1,335,000	*4,304,600	1,682,895
Bavaria.....	678,374	151,678	278,795	151,679
Baden.....	430,564	60,981	209,325	60,981
Wurtemberg.	506,986	55,127	220,462	55,127
Sweden.....	503,062	191,281	409,916	193,304
Norway.....	350,000	120,000		
Denmark.....	348,690	70,314	264,001	70,314
Russia.....	1,600,000	2,200,000	746,006	2,280,341
Italy.....	2,320,271	912,025	1,578,677	911,607
Netherlands..	1,496,544	199,087	1,047,823	335,791
Spain.....	550,000	600,000	472,604	315,022
Portugal.....	350,000	300,000		
Austria.....	3,000,000	1,000,000	2,594,852	1,390,195
Great Britain.	6,000,000	1,600,000		
Turkey....	1,200,000	474,390		
Greece.....	300,000	39,359	71,509	39,359
Total.....	29,338,014	$11,596,121	17,640,626	$10,010,646

Average tariff per message, according to Mr. Sauer, 39 cents.

Average tariff per message, according to official report, 56 cents.

The expenditures for telegraphic service in the above countries in 1868 were $11,093,424, making the actual cost per message 63 cents.

No returns of the telegraphic traffic in 1868 have been received from England, Norway, or Portugal, and only partial returns from Turkey the receipts in that country being $711,930, and the expenditures $832,775.

Thus, according to the official reports, there was an

EXCESS OF EXPENDITURES

for telegraph service over the receipts for messages in thirty-two countries in Europe, for the year 1868, of $2,066,042, and an excess of receipts for messages over the expenditures in five other countries of $662,419, showing a total loss upon the whole service of $1,403,623.

* These figures represent the traffic of North Germany, and include Prussia, Anhalt, Bremen, Brunswick, Hamburg, Hesse, Lippe, Lubeck, Mecklemburgh-Schwerin, Mecklemburg-Strelitz, Oldenburg, Lauenburg, Reuss, Saxony, Saxe-Altenburg, Saxe-Coburg and Gotha, Saxe-Meiningen, Saxe-Weimar-Eisenach, Schaumburg-Lippe, Schwarzburg-Rudolstadt, Schwarzburg-Sondershausen and Waldeck.

GENERAL INACCURACY.

With a few exceptions, there is scarcely even an approximation to accuracy in any of the figures given by Mr. Sauer in the above table, and they have apparently been thrown together in the most careless manner.

The returns for France, Sweden, and Denmark include the international messages *both sent and received, the latter also appearing in the reports of the countries in which they originated as sent, thus counting them twice.*

The returns for Belgium, Holland, Spain, and Switzerland include the international messages both sent and received, as well as the transit, the latter being neither sent nor received in these countries, but simply permitted to pass through them on their way to and from neighboring states.

The returns for Bavaria, Baden, and Würtemberg are strangely erroneous. The lowest rate for the transmission of inland messages in Bavaria is 25 cents, and in Würtemberg, 14 cents, while the international and transit are higher and yet, if we divide the amount of money received by the number of messages reported by Mr. Sauer to have been sent, we should find the average tolls in the former country 22 cents, and in the latter 10 cents.

WHICH IS RIGHT?

Mr. Sauer states that "2,320,271 messages were transmitted in Italy during the year 1868, exclusive of government messages, the number of which is excessively large."

The official report, on the contrary, states that only 1,578,677 private and 191,744 government messages were transmitted in that country during the year; so that if the latter were included in the returns the number would still be half a million less than Mr. Sauer's figures.

On page 145 Mr. Sauer says, "We have

NO INFORMATION

regarding the number of messages worked off annually" in Turkey; and yet in the general summary he puts the number down in round numbers at 1,200,000.

GREAT BRITAIN.

In the detailed table for Great Britain and Ireland, Mr. Sauer states that he has no returns for 1868; and yet, in the summary, the number of messages transmitted is set down at 6,000,000, and the receipts at $1,600,000, making the cost per message twenty-six cents. A moment's reflection, however, would have shown Mr. Sauer that in this case he had

OVERSHOT THE MARK;

for if messages were sent in Great Britain in 1868, when the lines were under private management, for 24 cents each upon an average, the tolls since they have come under government control must increase the cost, as the lowest rate now is 24 cents, and the charges for extra words will bring the average up to at least 30 cents. No returns of the telegraphic traffic in that country for 1868 have been received; but the receipts for 1866, the last year of which any statistics have been published, amounted to nearly $3,000,000, which would make the average cost per message about twice as much as stated by Mr. Sauer.

GREECE.

On page 157 Mr. Sauer says, "The number of messages transmitted in Greece during the twelve months ending 31st December, 1868, is stated to have been 77,441," while in the general summary he puts them down at 300,000, thus reducing the apparent cost per message from 50 cents to 13 cents.

DENMARK.

In the detailed table for Denmark, the receipts for messages are stated in one place as $61,485, and in another as $70,314.

SPAIN.

In the detailed table for Spain, Mr. Sauer gives the receipts for messages at 1,689,258 pesetas, or $270,281.28, and in the summary at $600,000.

PORTUGAL.

In the detailed table for Portugal, the number of messages transmitted in 1867—the last year for which he has any returns—are given at 134,454, and the receipts at $90,941, while in the summary he puts the number of messages down at 350,000, and the receipts at $300,000.

FRANCE.

In the detailed table, Mr. Sauer gives the receipts in France for 1868 at $2,017,364, and in the general summary at $1,876,611.

MR. SAUER'S INGENUITY.

In the detailed statement, Mr. Sauer puts the receipts in Switzerland for 1868 at $184,236, and in the summary at $170,848. *In the one case, by reducing the amount of the receipts, the apparent average cost of each message is lessened, and in the other, by increasing them, an apparent profit is shown in conducting the business.*

RUSSIA.

In the detailed table, Mr. Sauer gives the receipts in Russia in 1867—the last year for which he has any returns—at $1,967,115, and in the summary at $2,200,000.

SWEDEN.

In the detailed report, he gives the receipts in Sweden as $193,304, and in the summary $191,281.

NORWAY.

In the detailed report, Mr. Sauer gives the number of messages transmitted in Norway in 1867—the last year for which he has any returns—at 309,604, and the receipts at $111,135, while in the summary he puts the number of messages at 350,000, and the receipts at $120,000.

PRUSSIA.

In the detailed report for Prussia, he gives the receipts in 1867—the last year for which he has any returns—at $1,188,934, and the number of messages transmitted 3,093,949, while in the summary the receipts are set down at $1,335,000, and the number of messages transmitted 3,544,650.

AUSTRIA.

Mr. Sauer's detailed statement shows that no returns have been received by him from Austria, and that the figures contained in his general table, which refer to that country, are purely conjectural.

WHAT HE TRIES TO PROVE.

The effect of Mr. Sauer's singularly erroneous table is to show that messages were apparently transmitted in Europe at an average rate of 39 cents, while the official returns prove that the tolls actually averaged 56 cents, and the cost of transmission 63 cents.

GOVERNMENT TELEGRAPHY.

We do not propose to enter into any extended criticism of Mr. Sauer's arguments in favor of governmental telegraphy, but we can not avoid showing the inconsistency of his assertion that the telegraph in France is more extended and more generally employed than in England, when, according to his own table, 29,000,000 people in the latter country possess 85,000 miles of telegraph wire, and send annually 6,000,000 messages, while 38,000,000 in France possess only 70,330 miles of wire, and send but 3,500,000 messages. When we add, further, that, according to Mr. Sauer's table, the average cost per message in England was 26 cents, and in France 53, the

UTTER INCONSISTENCY

of his deductions will be still more apparent.

THE PROOF UNSATISFACTORY.

Mr. Sauer says, "The steady and continuous progress in France as regards the extension of wires and the augmentation in the number of stations, has always been made without regard to the numerical population of small towns or

villages. The French government undertake these extensions without reference to whether the working expenses would be met, or whether, in absence of all probability of obtaining a sufficiency of public business, a loss would be incurred in creating new lines or opening additional stations." But the superiority of France in regard to the number of telegraph offices maintained does not seem to be established by Mr. Sauer's own table, which claims only 1700 stations for the whole empire, while the United States, with a less number of inhabitants, has three times as many.

LIMITATION OF GOVERNMENT SUPPORT.

Neither does his rose-colored account of the liberality of the French government in building lines and opening offices seem to be sustained by the highest authority; for M. Pinard, the Minister of the Interior, to which department the telegraph belongs, in a communication to General Dix, dated Paris, January 7th, 1868, says:

"In the principal towns of departments, where the service answers the *political and commercial* exigencies of the general public, the government bears all the expenses of the establishment and working of lines.

"In the principal points in the Arrondissements, where the service answers the needs of the government and those of the immediate localities as well, the lines are established by the government and worked under its direction, *but the offices are furnished by the local authorities.*

"In the chief towns of the Cantons, however, where the telegraph serves almost exclusively the local interests, *the people of the villages contribute, on the one hand, to the construction of the lines, and, on the other, to their working.*"

The arrangements with local communities in France are carried out thus: In cases where small towns or villages want telegraphic communication to be established, and there is not sufficient work to cover expenses, the administration charges the municipality $40 per mile for constructing a new line, and $20 per mile if only a new wire is to be added to poles already in use. The town provides the office rent, furniture, and the clerk, the latter having generally some other employment, such as schoolmaster or town clerk. The administration furnishes the apparatus and appurtenances, and allows to each office a certain sum on every message sent or received. These commissions are as follows:

To municipal offices:

Private forwarded messages.....	3 cents
Private received messages.....	2 cents
Delivery to receiver.....	2 cents

To offices worked by auxiliary agents:

Private messages forwarded and received,	2 cents

If the work of the office renders assistanc necessary, the administration provides what i called an auxiliary clerk, and a female is usuall chosen to fill this post. These items appear i the accounts of the administration under th ordinary headings of receipts and expenditures.

The extensive premises occupied by the hea quarters of the Telegraph Administration a Paris belong to the Department of the Ministe of the Interior, and as the telegraph service is branch of this department, they have no rent t pay for them. Their annual rental value, at moderate estimate, is not less than $30,000.

Notwithstanding all these economical adv tages, however, the telegraph service was ducted in 1868 at a loss of $569,817, the t charged being nearly twice the average rat for similar distances in the United States.

On the 1st of November, 1869, the tolls upo internal messages were reduced to 20 cents t any part of France—a reduction of 50 per cen —10 cents being charged between towns in th same department.

Although it would be possible to send a mes sage a distance of six hundred miles within th limits of the country, yet there are very fe messages which are sent even one half as fa the average distance that dispatches are trans mitted in France being less than one hundr miles.

Thus, the average rate per mile in France i 2 mills for inland messages, while a higher rat is charged upon international—the tariff fro Paris to London being 80 cents. In the Unite States, the average rate upon all classes of di patches—except night messages—is 1 9-10 mill per mile, and the tariff upon the latter class i but one half of these rates.

Although the present rates in France ar higher per mile than in the United States, an a private company could manage the busines profitably at the tolls imposed, we have no doub that under government control the deficienc for the present year will largely exceed that o 1868.

THE OBJECT OF MR. SAUER'S BOOK.

The apparent object of Mr. Sauer's boo prove the great superiority of the go over the private control of the telegraph; an while we should regret to be compelled to b lieve that, in order to do this, he would purposel misrepresent the facts, yet it is difficult to com prehend how he could accidentally fall into s many errors, the tendencies of which are all i that direction.